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**STRATEGIC SOFT HUMAN RESOURCE  
MANAGEMENT – THE VERY IDEA**  
AN EXPLORATION INTO A SOCIAL SCIENCE

Helsingfors 2002

Strategic Soft Human Resource Management – The Very Idea: An exploration into a social science

Key words: Human Resource Management, Strategic Human Resource Management, Organizational performance, Employee performance, Psychological empowerment, Organizational commitment, Organizational citizenship behavior, Social science, Organization science

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*To my parents*



## ACKNOWLEDGEMENTS

This is and was, of course, a crazy project, an intellectual odyssey in the waters of social science and organization science. These waters, as so many other waters, are filled with Scyllas and Charybdises, Sirens and Cyclopes. The odyssey was largely motivated by my desire to increase my own understanding of the evercontinuing (philosophical) debates concerning the nature, aim and possibilities of social science. Most clearly these issues are exemplified by the often intense debates concerning methodology, the notions of *explanation* versus *understanding*, nomothetic versus idiographic research or quantitative versus qualitative research designs. Although the dichotomy of "the two cultures" today clearly is a simplification it may still be argued that something like the two inhabit and characterize the world of social science.

People management is an interesting specific topic within the bounds of social science and organization science for several reasons. It has a fairly long history. Therefore the contours of problems and possibilities begin to become more visible. The topic thus allows and invites some more general reflection and commentary concerning theory, operationalization and methodology. HRM is also a clearly important topic in terms of its individual (existential), organizational (performance) and societal (ethical) consequences. The attempt to arrive at some understanding of our possibilities to find generalizable evidence for such consequences drove me further and further into the macro- and micro-landscapes of social science and organization science.

The inevitable lack of profound expertise in all the areas covered in this work is hopefully compensated by the general picture of social scientific research that it tries to *show*. Whatever else this work represents, it seeks to exemplify a kind of beginning, being far from an end.

I am naturally indebted and grateful to a lot of people and institutions for having, in one way or another, contributed to this thesis.

I am deeply indebted to all the organizations and employees who agreed to participate in the empirical study. My most sincere gratitude also goes to the providers of financial support for this research project: Svenska kulturfonden, The Academy of Finland, The Department of Management and Organization at the Swedish School of Economics and Business Administration, The Foundation of Economic Education, The Foundation of Ella and Georg Ehrnrooth, The Foundation of Marcus Wallenberg, The Foundation of the Swedish School of Economics and Business Administration and The Foundation of Waldemar von Frenckell.

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Helsinki, April 22<sup>nd</sup>, 2002.

Mats Ehrnrooth

## PROLOGUE:

"[T]he emperor of organizational performance studies is for the most part naked...A steady flow of studies making questionable interpretations of performance evidence continues...Academic researchers become not only the courtiers of a naked emperor but also keepers of a sacred faith in scientific method and systematic inference...conflicts between these two perspectives are often "solved" by separating the two contexts....In a schizophrenic tour de force, the demands of the roles of consultant and teacher are disassociated from the demands of the role of researcher...The dilemma of scholarship is twofold: First, it involves finding a route between a course that is precipitous in destroying vital elements of community built on social myths and intuitive knowledge and a course that is precipitous in corrupting the integrity of scholarship. Second, it involves finding a conception of knowledge that does not discourage its pursuit, that holds out the possibility of augmenting knowledge through systematic scholarship...The simultaneous embrace of the possibility of knowledge and the difficulty of achieving it can be a form of wisdom that sustains inquiry and scepticism in healthy confrontation." (March and Sutton, 1997, pp. 702-704).

In this thesis we walk on thin ice. We will devote us to the issue of performance effects while trying to preserve a balance between "pleasing the emperor" and the "risks involved in confirming his nakedness" (ibid., p. 704).

"There are voices saying that problematizing what one does is not a good way of institutionalizing it, that attracting attention to the process, inevitably exposing its messiness and lack of a priori criteria is the last thing a discipline in need of legitimization wants" (Czarniawska, 1999, p. 18).

Such voices may be right, at least in the short run. This thesis is however based on the conviction that conducting studies in this or any other field of research which do not problematize themselves is seriously misleading.

"If reputations and institutions are to be maintained by proclaiming insights into history and the discovery of routes to sustained performance advantage, then it may become inordinately natural to characterize the niceties of inferential clarity as dispensable scholastic pretense. The tendency of many articles with a wide range of ideological, methodological, and disciplinary prejudices to subordinate issues of inference ambiguity to issues of practical recommendations may be a symptom of that danger. A second danger is that the terrors of claiming unjustifiable knowledge will drive us from empirical discourse into the relatively safe activities of proving theorems, contemplating conundrums, and writing poetry (March and Sutton, 1997, p. 704).

We claim that the problems discussed by March and Sutton are not limited to pursuits to explain "variation in performance or effectiveness" (ibid., p. 698). Academic standards in terms of inferences made in articles, published in the best scientific journals in the field, can often be questioned. In fact, the very nature of the basis and standards of inference are debated. We argue that researchers in organization science face a more general predicament in terms of a state of affairs in which it is very difficult not to be

"driven both to proclaim standards of inferential discourse and to collaborate in subverting them in practice" (ibid., p. 703).

This state of affairs is one of complexity, difficult to control, as well as often changing landscapes in terms of the object(s) of study. In this thesis an attempt is made to approach a part of this landscape at a time when it has been acknowledged that

"organization studies, and indeed much of social science, is experiencing dramatic epistemological turmoil" (McKinley and Mone, 1998, p. 169)





# STRATEGIC SOFT HUMAN RESOURCE MANAGEMENT – THE VERY IDEA

## An exploration into a social science

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# 1 INTRODUCTION

Most of us live a considerable part of our lives in organizations. How people are managed in such organizations is thus intrinsically interesting. But as people management is also increasingly being viewed as highly important for organizational performance, it is all the more interesting. Lately it has been argued repeatedly that how organizations manage their workforce is taking the central stage in relation to more traditional sources of competitiveness (Pfeffer, 1994, 1996; Youndt and Wright, 1996; Becker et al., 1997; Ulrich, 1998). In some distinction to earlier similar propositions, such propositions today claim a foundation in recent developments of strategic and general organizational theory in the form of the resource based view (Barney, 1991; Storey, 1995, pp. 3-4; Hiltrop et al., 1995). However, the issue of importance of the specific ideas associated with the notion of human resource management (HRM) still needs much specified theorizing and relevant empirical evidence. The debate concerning its consequences is arguably still largely characterized by a great deal of rhetorics coming from different interest groups (Legge, 1995b).

In addition to a range of specific problems and weaknesses related to theory, concepts and constructs, operationalizations and empirical research, the pursuit of knowledge concerning the importance of HRM faces many general problems which characterize most social sciences. The following is an attempt, on the one hand to further the discussion on the importance of HRM and, on the other hand, to explore characteristics of social science *as exemplified* by research on potential effects of HRM.

## 1.1 BACKGROUND AND FOCUS

"The novelty of HRM...lies in the specification of a particular ... approach, based on a combination of behavioral science theory and techniques with a recognition of the need for strategic integration not only among the HRM policy goals but between HRM and business goals. In short it is the integration of behavioral science and business strategy [which] is to provide a distinctive HRM path to competitive advantage. The appeal of HRM lies not only in [a] new, if challenging integrative model but in its timeliness. [HRM is about] the importance of values, culture and leadership for success in industry. It is American, optimistic, apparently humanistic and also superficially simple" (Guest, 1990, p. 379).

These views about the timeliness of HRM were expressed in 1990. Later Guest has argued that "[r]ecent attention in popular management writing appears to give more priority to...re-engineering than to HRM" (1995, p. 125). Nevertheless, from the US, HRM has spread so that

"Strategic human resource management has emerged as a ...major paradigm among scholars and practitioners in many parts of the world" (Dyer and Reeves, 1995, p. 656).

HRM is beginning to have its specific history, both of theorizing and empirical research. This specific history is, however, not a history of cumulative agreed upon insights and findings. The general history of HRM, which is the history of thinking about the management of employee performance, can be traced back at least to the Industrial Revolution (Dulebohn, Ferris and Studd, 1995). It has been argued that the

term 'HRM' was introduced in 1965 (Berglund and Löwstedt, 1996). The seminal texts of the notion of HRM are however mostly located in the mid 1980s. (For short reviews of these, see Boxall, 1992; 1993).

Apart from the important purposes to understand the macro-politics (Blyton and Turnbull, 1992; Legge, 1995) and the micro-politics (Ferris et al., 1999; Ferris and Judge, 1991; Townley, 1994) of HRM there are at least two basic mainstream goals which have occupied researchers interested in HRM.

(1) One goal is to explain why certain HRM activities are found in certain contexts and organizations (Wright and McMahan, 1992). This includes attempts to explain variation in these activities in terms of organizational strategies (Chadwick and Cappelli, 1999, p. 2). Boxall (1993, p. 657) gives a list of what can be said about our knowledge of the determinants of HR strategies. He concludes that "The progress is mainly in terms of clarification of the conceptual problems and indicating the complexity of them" (ibid., p.658). Arguably no breakthroughs or milestones have been achieved since the time of this judgement<sup>1</sup>. One thing which is apparent in Wright et al.'s (1992) synopsis of explanatory theories with reference to HRM is the small amount of cited works where these theories have been put to use empirically. Arguably, at least as long as we lack convincing contextualized evidence of effects of HRM, the potential explanations of the form and content of organizations' HRM policies/practices are going to be highly diverse. A priori, in this situation fashion explanations (Abrahamson, 1996; Røvik, 1996), institutional explanations (Tolbert and Zucker, 1996) or garbage can models – "solutions looking for issues to which they might be the answer" (Cohen et al., 1972, p. 2) - would have the most face validity.

(2) Another goal has been to provide evidence for systematic effects of combinations of HRM practices on employees, organizational performance, and financial performance (Guest, 1997; Dyer and Reeves, 1995; Becker and Gerhard, 1996; Ferris et al., 1999). Stewart has recently rhetorically argued that the HRM department should be abolished because

"[The human resources department] spend[s] 80% of their time on routine administrative tasks. Nearly every function of this department can be performed more expertly for less by others. Chances are its leaders are unable to describe their contribution to value added except in trendy, unquantifiable, and wannabe terms..." (1996, p. 105)<sup>2</sup>.

Regardless of the truth of these claims, the bulk of mainstream research on HRM-performance links have only marginally dealt with the explicit role of the HR department. The main question in this line of research has instead been whether and how certain forms of HRM significantly influences organizational performance and/or other outcomes regardless of who is responsible for HRM (inside or outside the focal organizations).

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<sup>1</sup> For a somewhat more recent study on the causes of adoption of HRM practices, see Frits and MacDuffie (1996).

<sup>2</sup> For a rejoinder to this, see Ulrich (1998).

To date there has been a range of empirical studies suggesting a positive relationship between HRM and different dimensions of organizational performance (Huselid and Becker, 1998). This is the line of research which our study is intended to contribute to. With reference to this line of research Ferris et al. argue that "as we view the published work in this area, we are simultaneously excited and troubled, frustrated yet optimistic, and encouraged but cautious" (1998, p. 236). While sharing much of this ambivalence, in our opinion there is however more reason to be frustrated than optimistic. In the next chapter we will briefly describe the main challenges involved in any attempt to contribute to this line of research.

## 1.2 CHALLENGES

The effects of HRM practices are extremely difficult to offer convincing empirical evidence for because of the complexity involved. Even if it might seem plausible that HRM will affect employee and organizational performance, the research community cannot yet claim to have established scientifically convincing evidence of such a fact. In particular, although there is some (fragmentary) evidence of a relationship between HRM and organizational performance, we have little or no evidence of how (by what mechanisms) HRM might have such an effect. We know even less about how different contexts might affect these issues (Becker and Gerhardt, 1996). When claiming that we do not have knowledge of these issues, we mean that the research community has not yet produced such evidence which a larger part of the research community would agree upon (see e.g. Wood, 1999).

Hence, there is ample work left for researchers who think it is possible to offer generalizable explanations of variation in organizational performance in terms of how companies treat their workforce. Such researchers assume we can find empirical evidence for at least temporally agreed upon statistical nomological relationships between some relevant and meaningful level of abstraction of HRM and some relevant organizational phenomena which this HRM tends to give rise to<sup>3</sup>. There are at least three major challenges that the research community has to meet in order to produce such explanations.

(1) Theoretical development is the first and arguably the main challenge in research on HRM and its effects on performance (Ferris et al., 1999; Guest, 1997; Gerhardt and Becker, 1996). Guest (1997) offers an informed discussion of the study of performance effects of HRM. He argues that what is really needed is a more sophisticated theory of how HRM affects firm performance with specifications of intermediate outcomes at different levels. Becker and Gerhardt consider it important also to focus on contextual issues (1996, p. 792). We argue that in order for empirical research to be convincing researchers also need to more carefully consider and develop the framework of important control variables. This would force researchers to develop theory and delimit that which is to fall under the concept of HRM and that

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<sup>3</sup> There are of course few *ceteris paribus* conditions which are satisfied for very long in social science given any plausible and convincing evidence for an effect of something on something which is desired by more people or organizations than in practice can achieve it (Numagami, 1998). However, relative laws can still apply even if "successful" relative laws might become impossible to corroborate. In this respect the difference between social science/organization science and biology, or even molecular biology, is arguably only one of degree (Rosenberg, 2001).

which is not. In this work, we will try to explore such a theorization by specifically addressing the question of by what mechanisms HRM potentially influences organizational performance.

(2) Empirical research in this field is important. In addition to theoretical underdevelopment, much of the debate on HRM simply suffers from too little focused empirical testing of what has conceptually been claimed and argued. Mueller has outlined the tradition of human resource management (or personnel management/business administration at large) as an applied science which should offer practical help. In Germany, he argues, the overwhelming part of the HRM related literature is prescriptive and "normally unsupported by empirical evidence" (Muller, 1999, p.470). This is likely to be an adequate statement also concerning other countries (Boxall, 1994, p. 60; Guest, 1990, pp. 380-381). In order to increase the credibility of this prescriptive HRM discourse, academics have during the last decade engaged in more rigorous activities of justification through empirical evidence. However, as we shall argue in detail, this is no easy endeavour.

The first and second challenges are inextricably related. Only theorizing without an ongoing careful empirical testing produces speculation and empty prescriptiveness. Empirical testing without connecting to and attempting theoretical development is blind. As Boxall puts it, "[p]ersonnel management literature seems to have been a classical case of the 'blind leading the blind'" (Boxall, 1992, p. 60). Guest argues that "[P]erhaps it is only when the empirical data begin to emerge that we realize how important the theory is" (1997, p. 263). We will therefore devote effort to conduct an empirical study which connects to the theorizing we offer.

(3) The third major challenge arguably concerns operationalizations (Ferris et al, 1999, p. 393; Wright and Sherman, 1999, p. 68). This a general and serious problem of research in organization science (McKinley and Mone, 1998; Pfeffer, 1993). Theorizations and definitions without operationalizations do not allow for focused agreed upon empirical testing. With specific reference to the HRM literature it has been argued that "[p]rior work on the measurement of High Performance Work Practices is extremely limited" (Huselid, 1995, p. 645). Thus, research would also need to focus on contributing to the development of a contextually sensitive standardized set of measures of the HRM practices (Becker and Gerhardt, 1996, p. 793). This should ideally be done on a level of abstraction which allows application in different contexts but nevertheless capture substantive and relevant features of these phenomena. Any such standards of measurement can and should continuously be criticized and developed. Some standardization of measures is however needed in order to get the research community focused on even discussing the same issues (Gerhardt and Becker, p. 793) and thus to enable fruitful disagreement. This concerns as much researchers who take a positive view on HRM as it concerns those taking a critical one. In fact, there are many open questions also with reference to most moderating/mediating and dependent variables, which might be included in an HRM theorization of organizational performance. We will try to give due emphasis to the issues of measurement /operationalization<sup>4</sup>.

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<sup>4</sup> After the writing of this thesis at least one more effort to concisely discuss the problems and prospects of research on the topic of HRM and performance has appeared (Guest, 2001). Here Guest discusses



Considering the amount of work left to do at least with reference to the first and third challenges the arguments for the need of longitudinal research as well as in depth case studies in this field of research are rather compelling (Lundy, 1994, pp. 710-712; Boxall, 1993, p. 651, 658). However, there is also a clear need in the midst of a fair amount of current rhetorics to try to test some of the fundamental claims as to why and how HRM might work. In short, we believe it is important to try to formulate and empirically test “the very idea of HRM”<sup>5</sup>.

Pfeffer argued that what is vital for any field of science is “the agreement that certain methods, certain sequences and programs of study, and certain research questions will advance training and knowledge” (1993, p.600). In other words, consensus is arguably vital for the production of knowledge<sup>6</sup>. In any case, unless the ground work related to the above three challenges can gradually be carried out researchers are unlikely to make much progress. Developments and some consensus concerning these challenges would also enable and encourage more replication studies which are clearly needed (Becker and Gerhardt, 1996, p. 781; 793)<sup>7</sup>. However, while a certain consensus seems important we also agree with Willmott, who emphasizes the idea that “theory development occurs through a struggle to identify and address anomalies” (1993, pp. 706-707).

In short, a dialectic between consensus and dispute supposedly has to be an ongoing part of any science. Giddens argues that “[s]cience depends, not on the inductive accumulation of proof, but on the methodological principle of doubt” (Giddens, 1991, p. 21). We would argue that it depends on both convincing evidence and doubt (compare Putnam, 1974/1991), in addition to a host of other things such as curiosity, commitment to a hypothesis, etc. etc. Just as science may be argued to depend on many things rather than any one thing, it can also be argued that science is better seen as having many goals rather than any one fixed goal. We will try to explicate a

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many of the problems that we try to develop, flesh out, emphasize, and thus put in more detailed perspective.

<sup>5</sup> The idea of HRM can obviously be interpreted in many ways. By the notion ‘the very idea of HRM’ we do not claim an essentialist definition of it. We use it to refer to our interpretation of HRM. This interpretation is largely based on claims made by proponents of HRM. For general critiques of essentialism, see Hallett (1991) or Wheeler (2000). It is quite conceivable that “the very idea of HRM” might always need different conceptualizations of HRM practices and outcomes in different contexts. This is also likely to be dependent on the level of abstraction we choose for a formulation of this idea or theorization. However, the very idea of HRM based upon the current literature, should arguably at least include the fact that HRM concerns the contribution that positive attributes of the workforce can make to organizational prosperity. Thus, in line with this HRM should have some identifiable outcomes at the level of such attributes of the workforce which in turn should have an influence at the level of organizational performance.

<sup>6</sup> The debate around this issue has been one of the more intense debates in organizational science (Clegg and Hardy, 1996). It can be argued that consensus is not only important for the production of knowledge. Rorty argues in many of his publications (1980; 1991a; 1991b, 1998, 2000) that some such consensus in fact is the only criterion of knowledge we should use. We will return to these issues below.

<sup>7</sup> The low number of replications is a more general problem in organizational science. Hubbard, Vetter and Little (1998) discuss severe problems related to this fact.

position which argues that in order to make sense of science we do not need to attempt any interpretative imposition of any one overarching *fixed goal* of science (Fine, 1984, p.61; *ibid.*, 1986, pp. 171-177; Rorty, 1995, pp. 297-298). We can still suggest that any scientific undertaking should be understood as asking the audience "Do you agree with these results? Why?/Why not?" and being sensitive to the answers in terms of critical examinations of the justification of the results. Thus, we will adopt and try to explicate the position that "the only sense in which science is exemplary is that it is a model of human solidarity" (Rorty, 1991 d, p. 39)<sup>8</sup>.

### 1.3 DEFINING HRM

It seems plausible that different types of HRM approaches can have very different effects. What we try to conceptualize, operationalize and study are consequences of what we will call 'strategic soft HRM'<sup>9</sup>. The general and simple ideal of soft HRM, as we conceive it, can be presented with Walton's words:

The new HRM model is composed of policies that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment, which in turn will yield both better economic performance and greater human development" (1985b, p. 64)

The "apparent humanism" of HRM is clear in Walton's characterization. However, if we instead of "and greater human development" write "*through* greater human development", we are arguably closer to a realistic balance between organizational performance requirements and an ethics of employee welfare. This also more clearly brings out the potentially important strategic aspect of HRM. Further, questions of humanism and human development are far from being straightforward. Thus, one general (philosophical) question is whether soft HRM would in principle be beneficial for both employees and employers regardless of what the (manifest) attitudes of representatives of these two constituencies indicate<sup>10</sup>. A second and more limited

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<sup>8</sup> Note that this does not imply that science is necessarily committed to any specific and fixed focus or outcome of solidarity. It rather only suggests that science is a model of solidarity in the sense of being attentive to the rules of the game and understanding the importance both of agreeing upon them and the possibility of questioning them. We will come back to a discussion of what the rules of science can be understood to involve and depend upon.

<sup>9</sup> For a discussion of the distinction between 'soft' and 'hard' (strategic) HRM, see Legge (1995, pp. 66-67) and Truss and Gratton (1997). The latter argue that "[t]he hard model is based on notions of tight strategic control, and an economic model of man...while the soft model is based on control through commitment...[B]ecause these assumptions are so divergent, they cannot both properly be incorporated within a single model of human resource management" (1997, p. 53). They also claim that "they are founded on opposing assumptions regarding human nature and, consequently, the legitimacy of managerial control strategies (*ibid.*, p. 58). However, we will try to defend a potentially fruitful combination of these two strands arguing that (philosophical) assumptions about human nature are "ornamentations" and that the *legitimacy* of any HRM does not turn on such assumptions. We will argue that the legitimacy of any HRM should be viewed as a multidimensional ethical-political-pragmatical question rather than being dependent on notoriously problematic definitions of "human nature".

<sup>10</sup> "The suspicion...is simple, although double: what if human beings, in humanism's sense, were in the process of, constrained into, becoming inhuman (that's the first part)? And (the second part), what if what is 'proper' to humankind were to be inhabited by the inhuman? (Lyotard, 1988, p. 2). This is cited

question is to what extent and in what contexts employees want what HRM has to offer<sup>11</sup>. A third question is in what organizational contexts (power relations, competitive pressures, type of employees, content of work, etc) such a theory is likely to yield what it promises. In any case, to empirically study HRM and its potential consequences we need to be more specific about its character.

Our notion of 'strategic soft HRM' can somewhat more explicitly (initially) be characterized by the following definition of HRM supplied by Storey:

Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques (Storey, 1995, p. 5).

However, researchers have not been able to theoretically specify, much less agree about what this "distinctive" exactly means or could mean<sup>12</sup>. HRM is an intensively debated field of research in that researchers take very different positions concerning the potential glories of it. This divergence can to a large degree be attributed to the lack of agreement on what specifically HRM's "distinctive approach" is understood to be. Some criticism is ethical and even existential (Townley, 1994; Legge, 1995; Keenoy and Anthony, 1992). Some point to conceptual problems and contradictions in theories and applications of HRM (Boxall, 1993, 1996; Dyer and Reeves, 1995; Legge, 1995, Noon, 1992).

The general concept of HRM is potentially conceptually problematic in several ways. Some of these problems appear in the potential conflicts between HRM viewed as 'soft' ('closed', 'best practices', 'developmental-humanism') versus 'hard' ('strategic', 'open', 'utilitarian-instrumentalism'), notions such as commitment versus flexible organizations, practices focusing on individuals versus teams, assumptions of unitarist ideals versus pluralist (political) realities of organizations, "new ways of old" control

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in Janssens and Steyaert (1999, p. 375). They elaborate that "[t]he first kind of inhumanity is the inhumanity of the system, or 'development', the goal of all science and technology in today's world; the second, as Lyotard puts it, is the inhumanity of our social conditioning: the pressure to conform to prescribed modes of behavior that is placed on all of us as we pass from childhood to adulthood" (Janssens and Steyaert, 1999, pp. 375-376). The issues related to HRM, as well as to research on HRM, are unquestionably related to both of these wide-ranging questions. Below we will reflect upon somewhat more concrete socio-ethical issues which have been explicitly related to HRM.

<sup>11</sup> Argyris (1998), for example, argues that often managers do not really want to empower their subordinates and also that the latter often do not really want empowerment. In this thesis the assumption is that empowerment is desirable and that it has positive consequences.

<sup>12</sup> Some scholars use the term 'High Performance Work Practices' (HPWS) without making any explicit distinction with reference to HRM. Wood (1999) elaborates on the possible distinctions between 'HRM', 'SHRM' (Strategic Human Resource Management), 'HPWS' (High Performance Work Practices) and the related 'HCM' (High Commitment Management), 'HIM' (High Involvement Management) and 'HPM' (High Performance Management). In order to emphasize the attempt to integrate the "classical" notions of 'soft HRM' and 'hard HRM' we will use the term 'strategic soft HRM'.

versus fundamentally new attitudes of management<sup>13</sup>. In addition there has been what one may call a clear domination of an American ethnocentric perspective in HRM writing (Brewster, 1995). In fact HRM has been seen as “a contemporary manifestation of the American Dream” (Guest, 1990, p. 377).

Despite the potential conflicts, the goal of (part of) the research community is to achieve a theory of how HRM potentially affects organizational performance (Becker and Gerhardt, 1996; Becker and Huselid, 1998; Guest, 1987, 1997). In order to attempt to approach such a theoretical goal, we still face the problem of specifying our definition of HRM. As stated in Storey’s definition cited above, HRM seems to include almost anything which goes on in an organization. This seems unfruitful as a starting point<sup>14</sup>. Instead, to the extent that scholars can come to agree or fruitfully disagree on consequences related to a more limited explicit definition of HRM we might then extend the concept to include other processes applied in the management of organizations<sup>15</sup>. The definitional problem and the consequential lack of knowledge related to HRM has been astutely stated by critiques of HRM. However, some of these critiques argue that HRM feeds on not being defined. Keenoy has argued that

“despite mounting evidence of conceptual fragmentation, empirical incoherence and theoretical vacuity, HRMism has gone from strength to strength. In short, the more researchers have undermined the normative, prescriptive and descriptive integrity of HRMism, the stronger it gets” (1999, p. 1).

Keenoy continues that we should

“[re-imagine] HRMism through the metaphor of the hologram – as a fluid, multifaceted and intrinsically ambiguous phenomenon” (1999, pp. 1-2). “[H]olograms underline the point that what we see also varies according to where we, quite literally, stand” (ibid., p. 11).

Some critiques argue not only that HRM feeds on not being defined but that it would die if it were.

“[O]nce we seek to explain HRM, to subject it to any analysis or criticism, it ceases to function as intended. Its purpose is to transform, to inspire, to motivate, and above all to create a new ‘reality’...To explain it is to destroy it” (Keenoy and Anthony, 1992, p. 238).

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<sup>13</sup> For some general reflections upon these dilemmas of HRM, see Mabey and Salaman (1995, p. 473) and Steyaert and Janssens (1999, p. 185) and for reflections upon the distance and conflict between HRM ideals and “reality”, see Mabey and Salaman (1995, p.481).

<sup>14</sup> Keenoy (1999, p. 3 and in particular footnote 5, p. 19) gives a bleak description of the proliferated use of the concept HRM. To some extent this proliferation is the consequence of a lack of *any* exact definition.

<sup>15</sup> Rather than continuing to offer very broad definitions and conceptual frameworks the research community would need to get down to more concrete work related to explicit and limited definitions. However, as Snell, Youndt, and Wright acknowledge, “[p]roviding a blueprint for integrative research is a far less difficult task than dealing with the operational and logistical hurdles that such an area of investigation inevitably involves” (1996, p. 84).

In a similar vain Noon tells us that

“Belief in HRM is not based upon deconstructing theory or looking for proof, but on faith” (1992, p. 27).

However, Keenoy, Anthony and Noon offer us at least as much rhetorics, although in the opposite direction, as many proponents of HRM. If HRM shall ever (at least partly) escape the rhetorical battleground, and either be accepted as a sound and strategically important management approach or perhaps partly be laid to rest as an “American dream”, academics have to put as specific and empirically relevant versions of HRM to as rigourous empirical tests as possible.

Nevertheless, the situation might arguably be worse than suggested by Keenoy (above) who implies that the hologram of HRM produces many but clear pictures of the phenomenon. What could perhaps be said is that the empirical evidence and conceptual aspects of HRM produce a *broken* hologram. In this study we try to (re)construct one image of this broken hologram and put it to an empirical test. We suggest the following more restrictive definition of our subject of research.

*Definition:* Human resource management is an approach to employment management which seeks to achieve competitive advantage through the strategic development of a capable and motivated workforce, using an integrated array of generic human resource management techniques.

*Corollary1:* The term '*generic human resource management techniques*' refers to the apparently straightforward activities and principles listed below:

*Adequate selection processes.* Ideal goal: the employment of motivated and technically, psychologically, socially competent employees.

*Adequate socialization processes.* Ideal goal: employees should get to know the organization, its history, its philosophy, its people and its strategy.

*Adequate performance appraisal processes:* Ideal goal: employees should know and agree about what they have done, should do and why

*Adequate development processes.* Ideal goal: employees should be further developed on topics and by means they view as relevant.

*Adequate communication processes.* Ideal goal: employees should feel that they are given adequate and sufficient information.

*Adequate compensation and general benefits.* Ideal goal: employees should feel that they are sufficiently and meaningfully rewarded.

*Adequate employment security:* Ideal goal: employees should feel security in their employment relationship<sup>16</sup>

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<sup>16</sup> In addition, employees should feel that they can take important decisions on how they are going about doing their job (autonomy) and that they are meaningfully involved in organizational issues of importance to them (involvement). However, as will become evident, in our theorization we

We will use the term '*the sophistication of the HRM system*' to refer to the degree to which an HRM system is characterized by these features. Although we specify the generic HRM practices included in an HRM system, the definitions of these practices are still very loose. Corollary 1 only specifies the simple and apparently straightforward goals of the HRM practices in terms explicitly referring more or less only to "soft" HRM. Essentially the reason for our loose definitions is that researchers do not agree on what specific practices most effectively fulfill these goals and that organizations are bound to utilize somewhat different more specific means to achieve any of the goals. Thus, we suggest that whatever more specific forms these practices take, a theorization of "soft" HRM claims that to the extent that these goals can be achieved, they should have a number of positive consequences<sup>17</sup>.

It has been argued that certain general properties of the HRM practices influence their effectiveness. More specifically, the internal and external integration of these practices have been viewed as important for how well they will contribute to organizational performance (Mabey and Salaman, 1995, p. 448; Becker and Huselid, 1998, pp. 55-56; Huselid, 1995, pp. 642-643; Ichniowski et al., 1997, pp. 4-5).

*Corollary 2:* The term '*integrated*' in our definition above refers to internal fit which we define as:

*Internal fit:* The HRM practices should support one another in producing consistent kinds of competence, behavior and attitudes

*Corollary 3:* The term '*strategic*' in our definition above explicitly refers to external or strategic fit which we define as:

*External fit:* The HRM practices should support competencies, behavior and attitudes which are important for the achievement of strategic business goals

The term '*strategic soft HRM*' refers to the suggestion, elaborated upon below, that the strategic integration of the HRM system will influence the sophistication of the HRM system.

It has further been claimed that persistence in applying and developing HRM practices (Mueller, 1996) are important determinants of a well functioning HRM approach. In addition we will briefly also pursue the question whether HRM competences (Huselid et al., 1997) influence the propensity of organizations to exhibit a high degree of sophistication of the HRM system. These latter factors, persistence and HR professionalism, will thus largely based on the literature be hypothesized to influence the quality of the HRM system.

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conceptualize these elements of HRM as informal psychological consequences of the above mentioned HRM practices.

<sup>17</sup> A real difficulty concerns the operationalizations of the practices so defined. However, already these open definitions have implications for the operationalizations. In general, definitions without operationalizations only come half way of telling the reader what one is "really" talking about. We will return to these issues below.

The general assumption of strategic soft HRM proposed in this work is that employee performance constitute one of the most important resources of at least some organizations. It is further assumed that there is a set of ethically sound human resource management practices, consistent with the above HRM principles and integrational aspects, through which the management of this resource can be made effective. By 'ethically sound' we simply mean practices which are appreciated by the employees. By this notion we do not e.g. refer to organizational justice. There are many aspects of justice representing general moral requirements or imperatives which in our interpretation should not, or at least need not really be part of the core of a HRM theorization of organizational performance. We consider the idea of strategic soft HRM to represent something over and above these aspects<sup>18</sup>.

We will deal with the complex aspects of theorization, conceptualization and operationalization in more detail later on.

#### 1.4 PURPOSE OF THE STUDY

Becker and Gerhardt emphasize the need for

"synthesizing and organizing existing conceptual work into a more coherent theory with a greater number of specific, testable propositions" (1996, p. 791).

This study represents an attempt to achieve such a synthesis (and partial re-conceptualization). The two more specific aims of this study can thus be formulated as the attempts to (1) *develop and justify a theorization of HRM's potential influence on organizational performance largely on the basis of Guest (1997), with specific attention paid to potential explanatory mechanisms*, and (2) *empirically explore the adequacy of this conceptualization/theorization*.

In so doing we try to be sensitive to the alleged tendency of many articles to "subordinate issues of inference ambiguity to issues of practical recommendations" (March and Sutton, 1997, p. 704). This is for example attempted by including more control variables than has been the standard in prior research as well as by discussing the many theoretical, methodological and conceptual difficulties involved both in this research project and organization studies at large. We also try not to proceed "blissfully unaware of the post-empiricist philosophical debates" (Willmott, 1997, p. 322).

In fact, research in social science can more generally be seen as being "in a state of epistemological turmoil" (McKinley and Mone, 1998, p. 169). With explicit reference to research on HRM it has been said that

"[t]he normative character of the models and techniques, the continual hammering on human values without any sort of ethical or philosophical research, and the lack of a self-reflexive character - these are all mildly

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<sup>18</sup> It is however clear that perceptions of justice may vary greatly between organizations and employees and that they may influence both perceptions of the HRM system as well as other performance outcomes. In pursuing the influence of the sophistication of the HRM system as defined above it is thus important to control for such perceptions.

suicidal traits, progressively reducing HRM's foundation and credibility. Currently, questions of HRM's future and the way it is conceived as a theoretical domain are being raised" (Steyaert and Janssens, 1999, p. 181).

Therefore we pursue the two goals above while trying to "situate" HRM, i.e. trying to give a fairly comprehensive view of the wider complexity of questions related to (research on) it.

Thus, a third and more general aim of the thesis is also to (3) *develop and convey an understanding of the epistemological-theoretical-ethical complexity involved in research on HRM and its potential outcomes.*

In this sense we are also going to explore HRM research as an example of a social science. In attempting to arrive at a reasonably simple model of HRM's influence on organizational performance, researchers in HRM inevitably face a complicated set of questions related both to epistemology and ethics. The (mainstream) HRM discourse generally scores high on all "criteria for deciding when to conduct ideological analysis of social theory" identified by Alvesson (1991, pp. 211-214). We will at least try to avoid the "pseudo objective style" and the "absence of self reflection" (ibid., p. 213)<sup>19</sup>. We agree on the importance to

"problematize and challenge the moral *integrity* or humanity...of those who, convinced of the epistemological soundness of their research, are disinclined to reflect upon its ethico-political significance" (Willmott, 1997, p. 257).

There are generally many reasons for a social scientist to be sceptical with reference to the "epistemological soundness of their research". We will try to consider this issue in some more detail as well as reflect upon the "ethico-political" situatedness of our research. The reflection upon both epistemological and ethical-political dimensions seems important as it is claimed that

"[s]elfconscious empirical-analytic science, founded upon an informed choice between competing methodologies of knowledge production, is the exception rather than the rule" (Willmott, 1997, p. 336).

In this thesis we will try to situate and justify our methodological choices and commitments. From the point of view of the author this dissertation concerns as much the development of an understanding of (the complexity of) social scientific research as it concerns the development of and testing a theorization of HRM. The overall

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<sup>19</sup> Linguistic studies of the impact of different uses of language have indicated that "socially desirable ingroup behaviors and undesirable outgroup behaviors are expressed at a high level of abstraction (i.e. enduring and stable), whereas socially undesirable ingroup behaviors and desirable outgroup behaviors are encoded at a low level of abstraction (i.e. context-specific and unstable). This bias is significant in that it may maintain and perpetuate stereotypes, ingroup favoritism..." (Leets, 2000, p. 343, referring to Maas and Arcuri, 1996). Some sort of analogous phenomenon is arguably often taking place with reference to scientific research communities. In this thesis we will try to adequately consider issues of context-specificity and the unstable. Thus, we will discuss problems and open questions in some detail more or less as we go along instead of, as arguably often is the case, avoiding problematic issues until the end where they are (usually) briefly mentioned as limitations of studies. The latter method, we feel, often rhetorically gives a wrong picture of the complexity of research attempts, in particular as more or less standard limitations are often almost manieristically repeated at the end of published articles.



purpose of this exploratory and interrogative study is thus to try to combine an understanding and discussion of the larger epistemological-ethical terrain with an attempt to empirically study one understanding of the phenomenon of HRM and its consequences. In fact, the current state of affairs seems to dictate such a dual concern.

Any research on HRM is, implicitly or explicitly, involved in the "epistemological turmoil" (McKinley and Mone, 1998, p. 169). However, we will argue that this is a state of affairs which we should neither conceive of as one that will soon be overcome nor as one due to any "devastating" philosophically grounded consequences. It is simply a reflection of the complicated nature of social science in combination with the still fairly vague nature of most attempts to get a grip on the complex objects of research involved. As a consequence most, if not all, scientific claims to knowledge in organization science have to be treated with considerable circumspection.

In addition to what has already been said above, it should also already here be noted that the empirical part of this research project is clearly limited in that it explicitly concerns the questions of how knowledge intensive organizations in highly industrialized countries within the capitalist system as well as employees *within* such organizations may be influenced by HRM.

## 1.5 SOME REMARKS ON THE CONTEXT OF HRM

With reference to HRM Legge has argued that

What evidence we have is of a patchy implementation of practices designed to achieve flexibility, quality and commitment, often constrained by the contradictions inherent in enacting these slippery concepts, and motivated more by the opportunities afforded by high levels of unemployment and the constraints of recession and enhanced competition, than by any long-term strategic considerations (p. 47)... the 'soft' normative model of HRM appears as a mirage, retreating into a receding horizon" (1995, p. 339)<sup>20</sup>.

Boxall also claims that

"[t]he overwhelming judgement of commentators, both academic and practitioner, is that HRM's position on the 'strategic agenda' of senior management is lower than it ought to be" (1996, p. 69).

Also Frits and MacDuffie note that

"from the perspective of economic rationality, one should expect high-involvement work practices to be widely used. Yet many argue that imitation, learning, and diffusion of these practices have been slow and sporadic" (1996, p. 424).

In general there was at least during the early 1990s a tendency in many countries to engage in large divestments of personnel as organizations confronted exceedingly competitive markets Legge (1995, pp. 76-91 and 328-339). Legge discusses primarily Anglo-American countries but tendencies to cut personnel were also observable in

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<sup>20</sup> Legge refers to the situation in the UK but her points arguably have greater generalizability.

many (other) European countries, including the Nordic countries. Boxall reasons along the same lines when claiming that

“[t]he ‘big picture’ from the 1980s and the first half of the 1990s suggests that managers in the Anglo-American environment have been consumed with the problem of survival in more competitive product markets.” (Boxall, 1996, p. 68).

Boxall makes the point that

“[s]urvival anxiety has generated a new tranche of isomorphic HR practices: initiatives such as delayering, rightsizing and increasingly contingent forms of employment” (ibid., p. 69).

For these reasons we have, for the empirical part of this study, chosen a population of organizations (i.e. the consultancy industry) where on average we would expect the context of HRM more closely favoring the conceptual ideal. This is arguably due to the structure and character of employees as well as the competition for employees in the industries represented in our sample. MacDuffie has argued that there are necessary conditions for an HRM-performance link. According to him these involve that

“employees possess knowledge and skills the managers lack[:];...employees are motivated to apply this skill and knowledge through discretionary effort [:];...the firm’s business or production strategy can only be achieved when employees contribute such discretionary effort” (1995, p. 199)<sup>21</sup>.

Such conditions would seem to potentially be satisfied, if anywhere, in a “knowledge intensive” organizational context such as the consultancy industry<sup>22</sup>. There is also some empirical justification for this. Becker et al. (1997) showed some evidence for the fact that what they call “high performance strategies” are most prevalent in dominantly knowledge intensive contexts, in their sample represented by financial services organizations.

We will thus try to conduct a test of whether firms in fact currently are able to achieve competitive advantages through HRM in a context where HRM should matter most.

## 1.6 STRUCTURE OF THE THESIS

In chapter 2 we dive into the intense debates in organization science concerning epistemology, ontology and methodology. Here we will explain our general epistemological and ontological commitments. This chapter is also an attempt to

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<sup>21</sup> Guest has somewhat similarly argued that “[e]ven in those contexts where market conditions are favourable making it desirable in theory, it may not be feasible in practice” (1989, p. 50). Guest suggests that the following conditions have to be met: strong corporate leadership, strategic vision, technological/production feasibility, employee/industrial relations feasibility and innovative personnel departments (ibid.).

<sup>22</sup> It may be noted that “[t]he notion of ...knowledge-intensive as a base for identifying a group of workers or organizations...is not without serious problems” (Alvesson, 1993, p. 1000).

situate, problematize and justify the general possibilities of quantitative research methodologies in organizational/social research. We will also consider the debate on incommensurability. Some scholars have argued that incommensurability has far reaching consequences with reference to the possibilities of organizational researchers to engage in rational debate. The problem of incommensurability is arguably often used as a modern way of stating a highly relativistic nature of knowledge.

Storey argues that

“the concept of HRM has been, and remains, highly controversial [and that there] are three main reasons for this. These reasons stem from questions of meaning, fact [and] values” (1995, p. 4-5).

In chapters 3-6 we will try to discuss all these aspects<sup>23</sup>. Chapter 3 begins by situating HRM historically and then considers the more general meaning of HRM as it may be understood against the backdrop of mainstream HRM theorizing. Here we develop our notion of HRM. Chapter 4 presents a focused discussion and critique of the (background) theory which is most often referred to in the current mainstream literature on HRM. Chapter 5 deals with critique in terms of ethico-political aspects related to (research on) HRM. Chapter 6 critically evaluates earlier empirical evidence of the influence of HRM.

In chapter 7 we present a general outline of the model which we try empirically to provide evidence for. In this chapter we also present our main hypotheses. In the three latter parts of this chapter we deal with some more specific issues related to our theorization and methodological aspects of empirically testing it.

Chapter 8 presents the sample, data, control variables as well as operationalizations and validations of the constructs involved in the empirical test of the suggested model. Chapter 9 presents the results of our hypotheses testing. Finally, chapter 10 presents a summary of the thesis and general conclusions.

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<sup>23</sup> By the notion of ‘fact’ Storey (1995) refers to organizations’ adoption of something which can be called HRM whereas we will concentrate on the “fact” of the evidence for outcomes of HRM.

## 2 ONTOLOGY AND EPISTEMOLOGY

### 2.1 INTRODUCTION

There are several attitudes researchers take towards specific research attempts as well as, more problematically, towards the scientific enterprise in general in terms of epistemology, ontology and methodology. If there would be large scale agreement on issues related to research on HRM (or social science at large) there would be much less need to dwell on these matters. But there is not. In fact as already noted, to the contrary it is generally acknowledged that

“organization studies, and indeed much of social science, is experiencing dramatic epistemological turmoil” (McKinley and Mone, 1998, p. 169).

The HRM discourse is inextricably involved in this turmoil. Any researcher implicitly or explicitly faces a set of meta-level questions to which many different answers have been suggested. How one is to conduct research in organization science, the possibilities, status and justification of such research, and the interpretation of the results of such research, are heavily debated topics. As a researcher in the field we therefore feel a need to work through our epistemological-ontological understanding of organizational research, and more specifically of the present study. It has for example been argued generally that

“[T]he contested terrain mapped out by constructivism/relativism and positivism/objectivism continues to haunt the study of organizations” (Reed, 1996, p. 46).

We will argue for a view which suggests that this philosophical metalevel terrain, in terms of contests where universal arguments are looked for, is rather misplaced or at least unfruitful and unnecessary. In short the argument is that as a contest these issues concern problems

“whose employment has proved to lead nowhere, proved to be of more trouble than they were worth” (Rorty, 1998b, p. 45).

In a similar vein, this chapter will also suggest that a priori and universal arguments about agency versus structure and individualism versus collectivism (Reed, 1996, pp. 46-47) are rather unfruitful. This follows from the argumentation below that there is no interesting a priori determinable necessary and/or universal (philosophical) epistemology or ontology relevant for empirical science.

On this view, the only relevant contest(s) relate to the fruitfulness of explanations. What is then a fruitful explanation? What is a fruitful research problem? On the view to be explicated these questions always also relate to the specific fields of research, and even more specifically to individual research questions within such fields. But they always also tend to relate to larger ethical-political-pragmatical debates. The suggestion is that by avoiding the somewhat stale universal a priori (metalevel) debates, researchers can engage in debating more specific issues more relevant to their research areas. On the other hand, this very chapter is an example of continuing the metalevel debates. We are careful all along to argue that the only thing we or any of the cited philosophers can offer are more or less well justified suggestions.

Quite contrary to the suggestion offered in this chapter, there seems to be a tendency among organizational researchers to feel the need to dive into the deep and often muddy waters of philosophy. Such a tendency is exemplified by Burrell's argument that

“sooner or later organization studies must enter an area where only the foolhardy dare to tread – the place where philosophy and social science meet” (Burrell, 1994, p. 15).

Thus, we want to paint one picture of this “area” and try to situate our thesis with reference to it. However, the attempt to combine a philosophical discourse and a social scientific one is “open...to none without criticism” (ibid., p. 15). In our attempt we lean mostly on the writing of Rorty whose general suggestions related to ontology, epistemology and methodology we (think we) accept. Apart from occasional references (e.g. Czarniawska, 1995; 1999; Tsoukas, 1998; Weaver and Gioia, 1994), Rorty has not figured much in the writings of organizational scholars. Thus, explicating his thinking has some independent interest.

The general aim and upshot of this excursion into philosophy is to suggest two things. First, there is no given “place” where social science and philosophy meet. Second, to the extent that the views we try to explicate can be accepted, they indicate that a field of empirical science should primarily debate problems and justify research attempts based on the history and perceived possibilities of informed trials and errors in terms of empirical research and empirical theories. Such trials and errors can be inspired by anything, including philosophical texts. However, on the view to be explicated the latter can provide no privileged basis for justifying or criticizing any empirical research attempts.

We want to emphasize that all the arguments in this section are subject to continuing controversy within philosophy<sup>24</sup>. In general, it seems problematical to use philosophy or arguments by particular philosophers as some kind of “higher” authorization (or critique) of empirical research approaches. On any topic of philosophical reflection, there is bound to be a whole range of differing and even contradictory views. Admittedly, empirical scientist's arguments on “philosophical”

“topics are [often] punctuated by stale philosophical clichés which the...participants have stumbled across in their reading” (Rorty, 1980, p. 393).

We will try, as briefly as possible, to give a justification of our commitments as well as what we are not committed to (although we are potentially guilty as accused above). This will thus, perhaps somewhat paradoxically be done by basically arguing, with Rorty, for the therapeutic suggestion that *empirical science does not have philosophical presuppositions*. The only sense in which it has such presuppositions, is in the “trivial” sense that it always operates within a certain language which is always

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<sup>24</sup> For some sympathetic reflections on the problems and challenges of different philosophical positions, attitudes and schools of thought, and arguably somewhat more low voiced reflections than Rorty's, see Wallgren (1996). For critical debates about Rorty's writings, see Malakowsky (1990), Saatkamp, (1995), and in particular Brandom, 2000.

potentially open-ended and problematical. A short hand for Rorty's suggestion is the following:

"To drop the notion of the philosopher as knowing something about knowing which nobody else knows so well would be to drop the notion that his voice always has an overriding claim on the attention of the other participants in the conversation... Philosophers often do have interesting views upon such questions, and their professional training as philosophers is often a necessary condition for their having the views they do...[but] we should no longer take seriously the notion of philosophy as providing "foundations" or "justifications" for the rest of the culture, or as adjudicating *quaestiones juris* about the proper domains of other disciplines" (Rorty, 1980, pp. 392-394)<sup>25</sup>.

One of the essential features of Rorty's thinking is the rejection of "the correspondence theory of truth" (1998a, pp. 1-5; 1998b; 1998c) together with the acceptance of the indeterminacy of (necessary) meaning and (necessary) reference (Rorty, 1980, pp. 257-311). Epistemology and ontology on this view become contingent. The anti-representationalism he suggests means that we can view ourselves as

"in touch with reality in all areas of culture – ethics as well as physics, literary criticism as well as biology – in a sense of "in touch with" which does not mean "representing reasonably accurately" but simply "caused by and causing"" (1991a, p. 9).

On the same lines, Fine argues that reference to some more substantial relationship between our knowledge and the world seems to be little other than "a desk-thumping, foot-stamping shout of "Really!" " (Fine, 1984a, p. 97).

There are some similarities between "continental philosophy" and the "analytic philosophy" which Rorty's thinking more or less represents or at least grew out of:

"The radical break which both Davidson ["analytical"] and Derrida ["continental"] make is to work out the consequences of denying essentialism and objective necessities across the board" (Wheeler, 2000b, pp. 23-24).

Although Rorty describes himself as an underlaborer and popularizer (1998, pp. 8-9), the above mentioned work is also what Rorty is engaged in<sup>26</sup>. The consequences of

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<sup>25</sup> For some general short overviews of Rorty's work, see Rorty (1998a; 1991a; 1991b) and Brandom (2000b). Rorty is very aware of the problem of his engagement, i.e. philosophically arguing for the end of philosophy (as it has largely been conceived of at least since Kant) (Rorty, 1980, pp. 357-394). Thus he is not trying to prove a universal philosophical thesis, rather he is suggesting an attitude. In doing this he only tries to sketch a dynamic of the philosophical tradition (ibid., 1980) and points to (arguably) rather devastating limitations that different approaches in the philosophical tradition (arguably) tend to have been faced with and are being faced with.

<sup>26</sup> Others describe him in other terms. Wallgren for example, although adopting a critical stance, argues that Rorty "is probably the most influential and innovative proponent of the relativist withdrawal from the never-ending adventure of philosophy" (1996, p. 193). However, we will argue that Rorty's attempt at a withdrawal does not involve any classical argument for relativism. Rather it involves a suggestion of abandoning the whole debate on relativism versus objectivism because of its futility. We will also argue that Wallgren is wrong when arguing that Rorty's withdrawal would mean that Rorty develops a

Rorty's interpretation of knowledge and language, science and truth etc are not necessarily felt at all in the daily work on empirical research. It merely means that we to some extent would debate somewhat different questions, but mainly simply that we would describe what we are doing in different terms. By suggestion, this would be in terms which do not involve the kind of aporias, self-referential paradoxes and question beggings which our traditional representationalist talk of any form, objectivist or relativist, has involved (when taken seriously and ad notam by philosophers) and which have driven forward the epistemological-metaphysical tradition of philosophy.

What this (self-)understanding can do is to sensitize us to the question of whether we have a good language with which to describe phenomena and what this language does<sup>27</sup>. It means that there is no way to avoid the fact that the language we choose, or are led to describe phenomena with, is intertwined with ethical and political questions. This is all the more true for social science in particular due to its subject matter and because it does not have the kind of success stories to lean back on as does natural science. This (self-) understanding means that the only way to judge the adequacy of a language (or an explanation) is to evaluate the pragmatic usefulness of it (it can always e.g. be partly intra-scientific), what it enables us to do, what it does and to whom, and what we should be doing as scientists. There are however no easy and straightforward ways to judge this. There is no neutral language. We will elaborate on these issues below and discuss some arguments about research in HRM and organizational science in relation to which this (self-) understanding arguably has some bearing.

### 2.1.1 HRM research accused

"From an epistemological perspective then, the argument that HRM - at least in terms of its normative model - is essentially modernist, rests on its adherence to a positivistic epistemology and to the values of rationality and performativity" (Legge, 1995, p. 311).

As an introduction, we will briefly below discuss the issues of performativity, positivism, and rationality in turn.

**Performativity.** Any human action can be viewed as including utility or performativity from some perspective for somebody, be it e.g. only the utility (advantage) of not having to be utile in some specific sense. The HRM discourse clearly adheres to a certain notion of performativity which organizations in today's world of global capitalism seem forced to adhere to. A general critique of performativity per se should not be directed so much at the discourse of HRM as at the general capitalist system in which HRM arguably is but an "underlaborer". The more specific assumptions and consequences of performativity involved in the HRM practice and literature can on the other hand fruitfully be debated within this literature.

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philosophical position which would in principle no longer be "open to the challenge [of what Wallgren calls] transformative philosophy" (ibid., p. 197).

<sup>27</sup> Compare the conclusions Calás and Smircich (1999, p. 664-666) arrive at based on their explicitly postmodernist reflections.

But such debates should holistically address ethical-political-pragmatical aspects of this issue.

**Positivism.** We will argue that the mainstream idea of HRM can very well live without a general adherence to positivist epistemology. There are two elements in Legge's "accusation" related to positivism. The first is

"Positivism, with its realist ontology....aims at discovering what is really going on 'out there'" (ibid., p. 308).

We will argue that this is neither a justifiable nor a necessary assumption for mainstream HRM research. The second is that

"Positivism...seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between constituent elements" (ibid., p. 308).

We will argue that there is nothing in principle wrong with this. Rorty suggests that there is no good reason to generally adhere to any "traditional" a priori epistemology. But everyone, at any given point in time will have to adhere to some rules in order to get something done. The scientific enterprise is completely dependent on some such rules. We will return to a suggested understanding of these rules.

**Rationality.** The accusation related to rationality is somewhat more difficult to get a grip on. Most of us adhere to some kind of rationality as there is generally some purpose we are trying to fulfill and most of us generally tend to reflect both on the purposes and on how to achieve those purposes.

There are, however, clearly many theoretical notions of rationality (Townley, 1999, pp. 290-295). It is possible to distinguish, as always, between a definition of what rationality is and the criteria for counting something as rational. But here we are involved in similar problems as with the notion of truth. One solution is not to distinguish between the two more than in the sense Rorty distinguishes between what truth is and the criteria for truth (1998a, pp. 1-5). The consequence is that rationality per se does not have any explanatory power. 'Rational to us' would be dependent on the same sort of justificatory process as 'true for us' is.

"[W]e have no criterion of truth other than justification, and...justification and betterness-to-believe will always be as relative to audiences (and to ranges of truth candidates) as is goodness to purposes and rightness to situations...there is no such thing as belief being justified *sans phrase* – justified once and for all –..." (ibid., p. 2).

The analogies Rorty uses in this citation implies that he is committed to the claim that there is no such thing as an *action* being justified *sans phrase* – rational once and for all. This view has as a consequence that at least any form of instrumental rationality per se is always only good for potentially limited and debatable empirical explanatory purposes. There are however some (very) general things which according to Rorty's suggestion contributes to rationality.

(1) "In one sense, ...to be rational is to be methodical: that is, to have criteria for success laid out in advance" (Rorty, 1991g, p. 36).



Even more fundamentally this kind of rationality is described by Rorty as “the ability to cope with the environment by adjusting one’s reactions to environmental stimuli in complex and delicate ways” (1998f, p. 186).

(2) There is a second sense of rational which we are all responsible for and involves the setting of goals (“other than mere survival”) and

“establishes an evaluative hierarchy rather than simply adjusting means to taken-for granted ends” (ibid., p. 186).

(3) There is a third sense of rational, which we also all arguably should adhere to.

“In this sense the word means something like “sane” or “reasonable” rather than “methodical”. It names some moral virtues: tolerance, respect for the opinions of those around one, willingness to listen, reliance on persuasion rather than force...On this construction, to be rational is simply to discuss any topic – religious, literary, or scientific – in a way which eschews dogmatism, defensiveness, and righteous indig[n]ation” (1991g, p. 37). [Rationality in this sense involves] “a willingness to alter one’s own habits – not only to get more of what one previously wanted but to reshape oneself into a different sort of person” (1998f, pp. 186-187).

The third is arguably the most difficult form of rationality to adopt. Rorty’s way of understanding science, scientific language, knowledge, truth etc means that we should always (try to) be rational in all three senses, rather than e.g. only the first, because his

“understanding is an attempt to blur ... distinctions between objective and the subjective and between fact and value” (1991g, p. 38).

More objective and limited conceptions of (methodical) rationality arguably rest on such distinctions<sup>28</sup>. Thus on this view there can be no autonomous pure form of universal instrumental rationality upon which “the model so prevalent in organizational literature is built on” according to Townley (1999, p. 292). This critique has to be distinguished from the fact that certain assumptions about rationality may offer the best available explanations of contingent human behavior. The point is that even though nobody can fulfill any ideal rationality, there is not much point in criticizing rationality per se. All forms of rationality are constantly negotiated. Although representing distinct aspects of rationality, the fruitfulness of the second and third aspects of rationality are bound to be dependent on the first and vice versa.

It seems to us that adherence to these loose conceptualizations of rationality is not only unobjectionable, but recommendable. Mainstream empirical research on organizational consequences of HRM seem not necessarily to be dependent on any further nor necessarily locked into an adherence to any more restrictive “rationality”. As we shall see, our general approach to the conceptualization of HRM in thesis is intended to be at least partly sensitive to both instrumental and discursive forms of rationality. It is on the one hand intended to take into consideration both the perspective of managers (“organizations”) and general employees. On the other hand it is intended to be discursively rational in the sense of being sensitive to many voices critical towards HRM. Referring to MacIntyre (1983), Townley argues that

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<sup>28</sup> This also has some bearing on the issue of incommensurability which we will return to below.

“[p]ractical reason is constituted by one’s membership of and integration into a particular social institution, which defines substance, obligations and duties. It is informed by, and itself informs, the practices of some distinct form of social order and it is qua member of such a social order that someone exercises practical reason...In practical reasoning the identification of relevant particular elements of a situation cannot be rule governed. Evaluative judgement has an indispensable role” (Townley, 1999, p. 293).

The conceptualization of HRM developed in this thesis at least to some extent incorporates the relevance of organizational rationality as practical reason in the sense of incorporating the indispensable role of evaluative judgement from members of a social institution. At the same time, what is sought in this thesis through its empirical analyses are some guidelines for relevant “practical reasoning”.

Apart from advancing the above discussed three “accusations” directed towards mainstream HRM (research), and related to the notion of rationality, Legge also claims that

“Latour argues that the process of scientific discovery resembles ‘organized persuasion’, persuasion that utilises ‘literary inscriptions’ and is engaged in by actors who build ‘networks of association’ that tie in other actors” (Legge, 1995, pp. 317-318).

We will argue that this is in principle quite compatible with any kind of scientific enterprise. The word “scientific discovery” is used here apparently because Legge considers it sufficient for her attempts to debunk “the discovery of HRM”. Long ago, still safely within the traditional modernist framework, it was stated that the process of discovery and process of justification are fundamentally different. The former, it was claimed, does not have more than heuristic rules while the latter is the heart of science where we have exact rules. However, it is arguably more correct to say that

“[t]here are *maxims* for discovery and maxims for testing: the idea that correct ideas just come from the sky, while the methods for testing them are highly rigid and predetermined, is one of the worst legacies of the Vienna Circle” (Putnam, 1974/1991, p. 134).

The proposition Legge attributes to Latour can be accepted even if one would replace “scientific discovery” with “scientific justification”. Rules or maxims (either of discovery or of justification) are not given to us from above but they remain instrumentally important. For the development of knowledge the maxims and their “organized persuasive” re-negotiation remain the quintessentially important aspect of scientific activity.

In the next sections we try to further “deconstruct” the force, *as a critique of mainstream HRM research*, of both of Legge’s claims above, i.e. the former concerning the nature of mainstream research on HRM as well as the latter about the nature of scientific activity. We will later engage in the more specific justification of our conceptualization of HRM and our general research approach. In this chapter we try to pave the way for this justification basically by debunking universal consequences of philosophical divisions/distinctions. In fact, as already indicated, in explaining the general nature of our epistemological and ontological commitments we will try to “deconstruct” the universal force of any a priori/philosophical critique or ground of any kind of empirical research.

## 2.2 ONTOLOGY

### 2.2.1 A priori ontologies

In general, researchers often seem to adopt universal basic attitudes towards reality. Some researchers adopt a social constructionist point of view of reality<sup>29</sup> often interpreting it to (necessarily) imply some form of qualitative methodology. For some alternative interpretations of social constructionism, see Jorgen Sandberg (1999). Some researchers adopt a postmodern attitude. For a fairly balanced review of the impact of postmodernism on organization studies, see Calás and Smircich (1999). Some researchers adopt a realist view of the world often arguing that it has essential methodological implications (Tsoukas, 1989; Tsang and Kwan, 1999).

#### 2.2.1.1 Postmodernism<sup>30</sup>

What has become known as postmodernism, sometimes connected to a (self-referentially problematic) “method” of deconstruction (Derrida, 1990, p. 141) has no doubt bearings on philosophy, a discourse with a history of totalizing ambitions. According to Rorty, deconstruction as a general method of reading texts

“requires two different straight persons: a macho professional philosopher who is insulted by the suggestion that he has submitted to a textual exigency, and a naive producer of literature (or empirical science) whose jaw drops when she learns that her work has been supported by philosophical oppositions” (Rorty, 1991d, pp. 86).

This is perhaps a somewhat harsh claim. However, many “postmodern” arguments related to deconstructive readings of empirical scientific contributions addressing “silenced” issues or “binary oppositions” (e.g. Calás and Schmircich, 1991) seem in most cases a somewhat needless rhetoric. We seem in most cases to cope with relevant shortcomings of *empirical texts* by traditional critique. In any case, it may be argued that regardless of motives, intentions or “purely theoretical” implications of deconstructive exercises, the consequences of any deconstructive critique of empirical texts, to the extent that such critique tends to have any empirical relevance at all, are always “modernist” in the sense that it opens up dialogues on conceptual distinctions we make.

Admittedly one essential and complicated task that the “deconstructive movement” laboured with, is the attempt to escape Hegelian dialectics. In fact, this has arguably characterized much of French philosophy since

“the generation of the three H’s...[i.e.] Hegel, Husserl and Heidegger” was followed by the generation of “the experts of doubt...Marx, Nietzsche and Freud” (Descombe, 1987, p. 17; my translation from Swedish).

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<sup>29</sup> A usual reference is Berger and Luckmann (1966). Sometimes it is Kuhn as in Cannella and Paetzold (1994, p. 332).

<sup>30</sup> ‘Postmodernism’ is an overlaid and problematical term. What we refer to will become more clear in the text below.

As Foucault said in his installation lecture at Collège de France: “Our époque tries, sometimes through logic or epistemology, sometimes through Marx or Nietzsche, to escape Hegel” (Descombes, 1987, p. 26; my translation from Swedish). Also Deleuze, in his “Difference and Repetition” from 1968 argued that

“[a]ll these signs [Heidegger’s “ontological difference”, “structuralism”, “le nouveau roman”, etc] can be attributed to a general anti-hegelianism. Difference and repetition have substituted the identical and the negative, identity and contradiction” (cited in Descombes, 1987, p. 25; my translation from Swedish).

A “deconstructionist” might thus be dissatisfied with any “modern” implications of deconstructive readings/writings.

However, Hegelian metaphysics might be repudiated (or left to its own) also within a Rortyan neo-pragmatism. The *metaphysics* of Hegelian dialectics can be considered to have little to do with the empirical movement and evolution of concepts. In fact, in his foreword to the Swedish translation of Descombes’ book, Carlshamre argues that

“The disadvantage [of the relative isolation of French philosophy] ...is that the French development is late in relation to the Anglo-Saxon, where the critique of the epistemological “fundamentalism” had become generally acknowledged before the respective French discussion got started. Because Derrida and Foucault, for example, do not give the slightest hint of having read Wittgenstein, Quine, Kuhn or any of the other leading exponents of this critique, it is often difficult to judge if they say anything over and above the already well-known, or if they only have not noticed that they break doors which are already wide open” (Carlshamre, 1987, p. 12).

However, Carlshamre notices (ibid., p. 12) the same point which is brought forward by Wheeler, i.e. that there is also an advantage with the relative isolations of French and Anglo-Saxon philosophy. With reference to his analyses of Derrida and Davidson, Wheeler argues that

“[m]ost importantly, that these philosophers reach similar conclusions from their different backgrounds indicates that they are getting something right. The consequences of there being no magic language, no language of self-interpreting marks, seem to be forced by some structure that is not peculiar to either analytic philosophy or the continental tradition” (2000d, p. 57).

The notion “right” here should not be read as “true to reality”. Although Wheeler e.g. interprets Derrida and Davidson as agreeing on many topics, he also argues for some interesting differences between them (Wheeler, 2000a, pp. 4-8), mainly in that

“the issue between Derrida and Davidson becomes...whether philosophical theories are central or marginal to the concepts we use to “make sense of” the world” (ibid., p. 8).

While Derrida, according to Wheeler, assumes the former to be true, we consider, arguably together with Rorty, that at least epistemological (metaphysical or anti-metaphysical) philosophy is (today) of very marginal importance at least to the

concepts we need *to make sense* of the empirical pursuit of knowledge<sup>31</sup>. As already noted, the Rortyan view we defend problematizes, and suggests a way out of, a certain self-understanding which sees it as compelling to justify either the objective groundedness or necessary objective groundlessness of human knowledge. A Rortyan neo-pragmatism simply suggests such projects are unfruitful and unnecessary. In this sense Rorty's program has also been described as having a very ambitious *cultural* relevance in being continuous with the enlightenment project (Brandom, 2000b, p. xi). The debate concerning both the enlightenment project as well as Rorty's position in it continues (see Rorty, 2000a; 2000b and Habermas 2000).

From a Rortyan "point of view", the (regressive) potential for (anti-enlightenment) deconstructionist metaphysics (and self-referential traps) lie in universal "explanations" of why the ungroundedness of human knowledge is necessarily the case (Rorty, 1991d, p. 93; 102). Derrida is in danger of facing such a problem to the extent that he (is tempted to) claim "The attempt to formulate a unique, total, closed vocabulary will necessarily..." (Rorty, 1991d, p. 93). However, Derrida is at least trying to avoid such claims, in fact he has argued that "no completeness is possible for undecidability" (1990, p. 116). However, he almost immediately continues that "the effect of ...[undecidability] is precisely to render all totalizations, fulfillment, plenitude impossible" (ibid., p. 116). Thus he seems at least *in danger* of stepping into a metaphysical/self-referential trap by saying too much. He tries, however, to rescue himself from such traps by the notions of "*différance*,...mark, ...supplement,...iterability" which "are not entirely words or concepts" (ibid., p. 117). Whether he always succeeds or not is up for debate. He basically argues that e.g.

"iterability..., like all the concepts that form or deform themselves in its wake, is an ideal concept, to be sure, but also the concept that marks the essential and ideal limit of all pure idealizations, the ideal concept of the limit of all idealization, and not the concept of nonideality (since it is also the concept of the possibility of ideality)" (ibid., p. 119).

Whether we are only convinced by such hyperboles or equally convinced by the Wittgensteinian/pragmatist arguments or suggestions (not entirely straightforward either) "that there is no theoretical barrier to an endless sequence of recontextualizations" (Rorty, 1991, p. 125) seems a matter of personal attitude. But maybe not only. The latter arguments are perhaps more related to negative conclusions concerning attempts to achieve closure than positive arguments about such openness. This is in a sense acknowledged by Derrida. "*Différance* is not indeterminacy...it "is" in itself nothing outside different determinations...[it] is neither negativity nor nothingness (as indeterminacy would be)" (1990, p. 149)<sup>32</sup>.

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<sup>31</sup> We have to distinguish between epistemological and political/pragmatical influences. Although e.g. Rorty is dubious regarding "the political relevance" of deconstruction (1998, p. 310), postmodernism/deconstruction has arguably at least stimulated much empirical research, i.e. given it new directions in terms of objects of research. Such stimulation is unproblematic and epistemologically and ontologically neutral. On the view to be defended in this chapter, epistemological and ontological issues are contingent outcomes, partly of empirical research so stimulated.

<sup>32</sup> However, indeterminacy is arguably not metaphysical nothingness but rather a contextually argued negativity (Quine, 1951).

Thus, Derrida prefers the term ‘undecidability’ to ‘indeterminacy’. According to Derrida, “undecidability is always a *determinate* oscillation between possibilities (for example, of meaning, but also of acts). These possibilities are themselves highly *determined* in strictly *defined* situations...They are *pragmatically* determined” (Derrida, 1990, p. 148). A Rortyan pragmatist would agree that e.g. definitions should be viewed as pragmatically determined. However, the notion of “highly determinate in strictly defined situations” seems to be but a tautology. Whether “highly determined” and “pragmatically determined” denote the same thing seems disputable. In any case, analytical philosophy has arguably explicitly problematized (only) the very notion of a priori determinable definitions (Quine, 1951). In Wheeler’s interpretation, compatible with the above,

“[the analytical philosopher] Davidson does not want to use “undecidable” because of its connection with incompleteness proofs; [while] Derrida does not want to use “indeterminate” because it implies fuzziness” (Wheeler, 2000e, p. 222).

However, when Derrida claims that “[t]here would be no indecision or *double bind* were it not between *determined* (semantical, ethical, political) poles...” he seems (paradoxically concerning Derrida) to simplify things. Perhaps due to a “double bind” with reference to Hegelian dialectics? We do not see why there could not, indeed would not be (in most cases at least potentially) indeterminate indecision between an indeterminate amount of possibilities. The very difference between undecidability and indeterminacy seems to us indeterminate/undecidable. Perhaps any distinction between these uses of ‘indeterminacy’ and ‘undecidability’ is best seen as related to a different *emphasis* in terms of a contextually argued ‘negative’ versus a contextually argued ‘positive’ openness. When either of these forms of arguments for an openness becomes completely non-contextualized/non-particular, i.e. universal they become metaphysical. According to the general view we try to explicate, any argued universal necessary consequences of deconstructive arguments should only be dealt with on a case by case basis (compare Rorty, 1971, p. 14).

Although we tend to reject any universal necessary consequences of deconstructive arguments, some things which are said (or written) about, concepts, theories or empirical results might fruitfully be the subject of deconstructive critique. However,

“[t]he mere possibility of modeling texts on themselves does not provide much motivation for doing so. A way of looking at texts is ultimately justified by the illumination and understanding that results. It seems clear that, for some texts, treating them as metaphysics produces illumination and explication otherwise not to be had” (Wheeler, 2000c, p. 54).

“Sometimes it is argued that the concept of *pomo* [postmodernism] may sensitize us for new developments in society and culture. It may, however, also oversensitize us” (Alvesson, 1995, p. 1069).

The importance of a state of disbelief is emphasized by Calás and Smircich (1999, p. 657) in connection to their defense of postmodernism. However, the state of disbelief, we argue, should strike anyone carefully reading organizational texts even without any explicit deconstructive moves. More traditional “non-deconstructive” critique may often compel researchers to more substantial thinking than simply pointing to inevitable dichotomies and ambiguities in any discourse which suggests some actions rather than other. (After all human beings need to act.). We might e.g. need

“Derridean ideas about the undecidability or uncontrollability of meaning” (Legge, p. 312) to inspire and develop research on HRM. But inspiration to do empirical research/empirical theorizing is arguably the most we can gain from deconstructions/reading deconstructive analyses. This is because whereas we might think

“that words like “différance” and “iterability” signify infrastructures – structures which it is Derrida’s great achievement to have unearthed – [we can see] these notions as merely abbreviations for the familiar Peircean-Wittgensteinian anti-Cartesian thesis that meaning is a function of context, and that there is no theoretical barrier to an endless sequence of recontextualizations” (Rorty, 1991f, p. 125).

We can thus also from a different perspective, that of anglo-saxon analytical philosophy, fully accept a claim that

“the “theoretical *duty*” of every theoretician ... is also an “ethical –political duty”...” (Derrida, 1990, p. 135).

For us the implication of a Rortyan pragmatism is the same. For a Rortyan pragmatist everything turns on (often surely very complex and ambiguous) ethical-political-pragmatical questions. It is arguably in face of this complexity that Rorty moves “everything over from epistemology and metaphysics to cultural politics” (Rorty, 1998c, p. 57).

We clearly need continuous reflection upon important assumptions e.g. of HRM and the HRM literature. Such reflection is bound to involve reflection on the capitalist system and the notion of man, i.e. reflection of the broadest nature about our culture. But deconstructive arguments *per se* can arguably not in themselves justify an *epistemic* critique e.g. of current mainstream HRM research. Assumptions and arguments can be debated, but to show that they can be deconstructed does not *in itself* bite. Deconstructions would justify such critique only if e.g. “any binary opposition were dubious just because it is binary” (Rorty, 1991e, p. 111).

“First, that a discourse has been deconstructed does not immediately show that it is defective...Second, that a discourse has been deconstructed does not show that it is unusable as a practical device...An important issue is at stake here: Many of those reacting to deconstruction’s theses, including some who regard themselves as convinced by deconstruction, take deconstruction to show a fatal inadequacy in the distinction or discourse. But such an evaluation presupposes the very standards that deconstruction has shown to be unreasonable, because unfulfillable. That is, to suppose that a discourse that is not governed by a magic language is unusable is to accept an important part of the logocentric picture” (Wheeler, 2000e, p. 228)<sup>33</sup>.

Mainstream HRM research does not, according to our interpretation of Rorty’s general claim concerning empirical sciences (1998d, p. 64), have specific philosophical *foundations*. It rests upon a set of ethical-political-pragmatical cultural

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<sup>33</sup> For another discussion about the limitations of deconstructive reading/writing, see Heiskala (1997, pp. 218-221; 355-366).

values which are not essentially dependent on a philosophical/metaphysical foundation. However, it goes (almost) without saying that the HRM discourse contains a great deal of rhetoric (Legge, pp. 312-314) which leaves many questions open.

We will continue to explicate and distinguish our understanding of ontology and epistemology which is not totalizing and accepts in principle indeterminacy of meaning and reference (Wheeler, 2000b; 2000c) but which lets us get on with empirical social science to the extent that we find it useful at all. The possibility of (in particular quantitative) empirical social science is largely a question of the contingent possibility, utility and legitimacy of reducing complexity. In the understanding we try to explicate, these questions again, at any point in time, are questions of overarching values, pragmatic judgements about the fruitfulness of available or attainable conceptualizations, (informed) trials and errors, and general negotiated norms of justification for empirical claims to knowledge.

### **2.2.1.2 Social constructionism**

When researchers say they adopt a view of reality as socially constructed, what do they mean? What can they legitimately mean? Do we know what reality is like when not constructed? If not, how can we then in any interesting universal sense distinguish between the two? Of course, our view of reality is always also likely to be socially constructed but this does not mean that we can say that reality *is* (completely) socially constructed.

This is a subtle but arguably important issue within the field of philosophy. The problem common to philosophers

“from Parmenides to A. J. Ayer, is that they are continually tempted to say, ‘The conditions making an expression intelligible are...’, despite the fact that that proposition itself does not fulfill the conditions it lists” (Rorty, 1991d, p. 91).

As an epistemological and/or ontological doctrine the social constructionist point of view potentially faces a similar problem to the extent that it assumes a point of reference from which the claim could be justified which is outside the social construction of reality.

In fact, whether the constructionist faces a self-referential problem depends on whether she/he offers an uninteresting and trivially true argument or an interesting but self referentially contradictory argument. An example of the former would be: ‘As humans are social animals who live in linguistic communities which they develop and change through interaction, everything they do has a social aspect to it, including the claims to knowledge and their perceptions of reality’. An example of the latter would be: ‘Reality is (completely) socially constructed’. The self referential contradiction in the latter is due to the fact that in order to justify such a claim we would have to be



able to stand back and step into a position which is not so constructed. But this is contradicted by the claim itself<sup>34</sup>.

We view “social constructionism” as a heuristic point of view on social phenomena and as such it is less relevant for this particular study. By ‘heuristic’ we mean that this perspective guide researchers to look for how human beings in interaction come to agree or disagree on phenomena.

Below we indirectly try further to justify the argument that social constructionism is not relevant as any kind of “foundation”, or “first philosophy” (Heiskala, 1997, p. 332). In particular, it has no universal consequences for studies on what human beings agree upon, think or how they and organizations are influenced by existing (more or less transient) social phenomena. The social construction of knowledge, action, institutions etc. might also be taken to necessarily imply the impossibility of quantitative research methodologies generating spatially and/or temporally generalizable knowledge. However, although stability is a contingent (empirical) phenomenon we would live in complete chaos if there would be no stability (which does not mean identity) in any actions, interpretations and meanings. Contingent stability is acknowledged also by Derrida (1988, pp. 150-151)<sup>35</sup>. In line with this, Kaplan argues that

“What we need for knowledge is not permanence but persistence, not the absolutely unchanging but rather changes sufficiently slow or limited for patterns to be recognizable” (Kaplan, 1964, p. 167).

We can understand and study such potential stabilities as “coagulations of ...codes, frames and projects” (Heiskala, 1997, p. 327). Thus what we do in this thesis is assuming

“a stationary cross-sectional standpoint reflecting the rules, resources, and practices, that influence (without determining) the actions of agents at [a] given time...[such] rules, resources and practices constitute the [assumed] social structures that form the arena and tools of social action [at any one point in time]” (Weaver and Gioia, 1994, pp. 579-580).

This is naturally only one possible course of inquiry. Thereby our research

“temporarily ignores [part of] intentionality by treating it as fixed: social phenomena are [thus] treated as having fixed structures of meaning whose interrelations can be measured” (ibid., p. 581).

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<sup>34</sup> However, this is thus not to deny the more or less evident *empirical* fact, which is contingent rather than necessary, and varies as to its negative or positive influences on the adequacy of empirical knowledge, that social scientific knowledge can always also be characterized as socially constructed (compare e.g. Mizruchi and Fein, 1999).

<sup>35</sup> “I have never put such concepts as truth, reference, and the stability of interpretative contexts radically into question” if “putting radically into question” means contesting that there *are* and that there *should be* truth, reference, and stable contexts of interpretation” (ibid., p. 150). There is, however, also always a need to “account for this stability” and/or criticize it (ibid., p. 151). Such things can be done e.g. from a social constructionist perspective but it can also be done through quantitative empirical research by offering new evidence which questions “stable contexts of interpretation”.

### 2.2.1.3 Realism

There are also problems with arguments for an objective reality with a corresponding realist epistemology. Such arguments tend always to be question begging (Rorty, 1991c, p. 24; Fine, 1984a, 1984b, 1986). One traditional way to arrive at some sort of objectivity are by means of transcendental arguments. They also always tend to assume a point of reference outside the domain of possible experience or language they themselves dictate.

Transcendental arguments can be understood as a “search for non-causal conditions of possibility” (Rorty, 1991f, p. 124), a universal necessary scheme in some form which would be capable of refuting the epistemic sceptic. Rorty has argued that we should not try to refute the idea of such a scheme by universal arguments. Instead, any such arguments must be dealt with on a case by case basis (Rorty, 1971, p. 14). However, Davidson has in fact argued against the very idea of a conceptual scheme. Rorty argues that “Davidson...seems to have found a transcendental argument to end all transcendental arguments” (Rorty, 1979, p. 78), that Davidson has provided “the most effective recent argument against the possibility of transcendental philosophy” (ibid., p. 99). However, as nothing *a priori* seems to hinder us from learning a completely different untranslatable language-game in the way children learn a language, i.e. since nothing hinders us to “get the hang of a new language-game” (Rorty, 1980, p. 356), Davidson should be understood as having provided only an argument *applicable* against the *a priori* intelligibility of any suggested alternative conceptual scheme. Also in the 1979 article Rorty agrees with the view that “[t]here is no general argument against the scheme-content distinction” (1979, p. 99). This is thus compatible with Rorty’s earlier argument that transcendental arguments must be dealt with on a case by case basis. Further, neither Rorty, nor Davidson in Rorty’s interpretation, can in the last instance refute either the sceptic or the realist by exhibiting the meaninglessness or impossibility of the transcendental (non-epistemic) terms they use. Largely the issue concerns the question of allocating burdens of proof between a pragmatist and a philosophical sceptic/relativist on the one hand, and between a pragmatist and a realist, on the other hand (Rorty, 1980, p. 310-311). Rorty’s suggestions amount to abandoning the attempt to *a priori* “prove” either the necessarily objective or necessarily relative nature of any conceptual scheme with reference to specifically philosophical notions of “‘true’ and ‘real’ and ‘correct representation of reality’” (ibid., p. 308).

There are however other (non-transcendental) arguments for realism. Fine offers a critique (and overview) of the perhaps most natural kind of arguments for realism, moving from the success of (natural) science “to the necessity for a realist account of its practice” (1984a, p. 84). We have to remember that philosophy has mostly been concerned with proving *a priori* necessary, objective, language related or completely acontextual truths. There is naturally nothing in Fine’s (or any other philosophers arguments) which makes it intellectually impossible for us to live with the

“hypothesis that our accepted scientific theories are approximately true, where “being approximately true” is taken to be an extratheoretical relation between theories and the world” (ibid, p. 86).

However, the annoying thing with living with this hypothesis is that it is a “hypothesis” which can arguably never be shown to be true in any ordinary sense

because it assumes what it is trying to establish as an empirical hypothesis. As Fine notes,

“[s]urely anyone serious about the issue of realism, and with an open mind about it, would have to behave inconsistently if he were to accept the realist move [from the success of natural science] as satisfactory” (ibid., p. 86).

The inconsistency alludes to the fact that

“the issue over realism is precisely the issue as to whether we should believe in the reality of those individuals, properties, relations, processes and so forth, used in well-supported explanatory hypotheses” (ibid., p. 86).

### 2.2.2 Summary: a priori ontologies

The above arguments amount to a suggestion that there is little to be gained in empirical science (or philosophy) by universal philosophical defences or universal critiques of a priori ontologies, epistemologies and conceptual schemes. They amount to a suggestion that all totalizing ontologies (or epistemologies) as well as totalizing critiques of such ontologies (or epistemologies) tend to face problems of self-referentiality and/or question begging.

Most importantly from our perspective, Rorty argues that

“[p]hilosophical views are just not tied very closely either to observation and experiment or to practice...to the extent that such views are in fact optional, social practices do not have philosophical presuppositions. The philosophical propositions said to be presuppositional turn out to be rhetorical ornaments of practice rather than foundations of practice” (1998d, p. 64).

To say that empirical sciences do not have philosophical presuppositions is not to say that they might not have presuppositions which can be (philosophically) analyzed and debated. Interesting issues are often discussed in philosophy and to the extent that they are more broadly relevant, they are often debated in other fora also (e.g. what is just and what is not just). But any “philosophical” arguments, in the sense of universal, non-contingent, a priori views e.g. on what justice is, or what language is, or what reality is, or what knowledge is, or what human beings are, or what organizations or HRM are, are not according to Rorty to be seen as “presuppositions of social practices”. This is because

“we generally have much more confidence [or disconfidence] in the practice in question than in any of its possible philosophical justifications [or critiques]” (ibid., p. 64).

But note that Rorty is not saying that this is necessarily the case. This argument connects to Rorty’s metaphilosophical critique of the idea of philosophy as providing the necessary epistemic foundations, or the universal non-existence of such

foundations, for science or culture at large. In summary, Rorty abandons the idea of philosophy as the highest adjudicator of ontological conflicts<sup>36</sup>.

### 2.2.3 HRM and the ontology of the employee

An example of a different standpoint closely related to HRM is Hancock who argues that there are philosophical presuppositions “which underpin classical conceptions and models of employee motivation” (1999, p. 155).

“[B]y accepting HRM as essentially dualistic in terms of its ‘hard’ and ‘soft’ dimensions...[we are] at the same time failing to grasp its practical unity, a unity underpinned paradoxically, by a dualistic model of the world. This is the same dualistic ontology which has underpinned all previous managerial interventions into the domain of the human subject; and is the one which continues to determine the function of HRM as a set of practices. On the one hand, HRM is employed to provide an objectivized account of the human employee...by relying on positivistic techniques for determining optimum methods of analysis and behavioral prediction..., and on the other to continue the assault on alienation through the use of a repertoire of cultural technologies which are designed to reconstitute the subjectivity of employees through an environment which, once again, offers the promise of subjective autonomy” (Hancock, 1999, p. 163).

We argue that there is no need, within mainstream HRM (research), even implicitly to adopt a universal “dualistic ontology” once the universal distinctions between subject and object, reasons and causes are rejected<sup>37</sup>.

Steyaert also argues that HRM is (problematically) assuming autonomous (cartesian) subjects “transparent and in self-control” (1998, p. 2). Instead he argues for a conceptualization of the subject as one of becoming,

“as a meeting point of relations, ...as confronted with one’s own strangeness, and...as talking from multiple voices” (ibid., p 1; pp. 7-11).

When we claim that empirical science or social practices (e.g. HRM and/or research on HRM) do not have philosophical (ontological or epistemological) presuppositions, we mean the following. We give up the idea that philosophy or literature or anything else could provide us with a (given) necessary framework which an empirical science or a social practice cannot “violate”, which sets the limits and possibilities open to such practices. We can always discuss what empirical presuppositions a scientific activity or other social practice makes or involves. But such a discussion/critique will always involve a complex context of empirical processes in terms of the fruitfulness of their means and ends.

We thus agree with Rorty that philosophical apriori arguments about ontology or epistemology, e.g. the ones above by Hancock and Steyaert, turn out to be “rhetorical

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<sup>36</sup> The highest priest for Rorty is not philosophy but democracy and liberal ideals. He does not hide this ethnocentric standpoint, rather he tries to justify it (1991a; 1991f; 1991g).

<sup>37</sup> For all we know, reasons may be causes and the subjective may in principle be objective. This is one of the lessons Rorty is trying to teach us (1980, pp. 17-127).

ornamentations...rather than foundations” (Rorty, 1998, p. 64) of social practices or their critiques. Thus, we argue that current HRM (mainstream research) does not necessarily involve a philosophically controversial assumption in terms of an autonomous (Cartesian) subject, nor a problematical dualistic notion of the subject. They simply involve a set of differing (but not necessarily contradictory) contextual empirical assumptions about the fruitfulness and legitimacy of certain approaches and practices. Empirical science can, with the help of theory, try to provide evidence for the (un)fruitfulness of any such empirical assumptions.

It seems however clear, but philosophically uncontroversial, that HRM in some sense is

“a cultural construction comprised of a series of metaphors which constitute a ‘new reality’. HRM reflects an attempt to redefine both the meaning of work and the way individual employees relate to their employers” (Keenoy and Anthony, 1992, p. 234, cited in Hancock, 1999, p. 163).

As any more or less intentional sets of practices through which human beings try to influence other human beings, HRM inevitably

“represents a nexus of disciplinary practices which are designed to reconstitute the working subject through a combination of procedural and cultural technologies of power” (Hancock, 1999, p. 164)<sup>38</sup>.

It seems to us that criticizing the principle of trying to influence (constitute) human behavior is futile. The more interesting and difficult questions concern what these power/knowledge structures are, what drives them and in particular what they accomplish.

Townley has offered some critical points of views on HRM which are related to the structure of power/knowledge. However, we consider a specific critique of the following kind to be simply ornamental and in this sense impotent:

“To be effective personnel practices must become less ‘subjective’ and more ‘accurate’. A Foucauldian analysis rejects this presentation” (Townley, 1994, p. 83),

or

“[HRM] assumes the existence of an alienated individual whose potential lies repressed, waiting to be unleashed or self-actualized when his or her true nature is uncovered. A Foucauldian conception of the subject emphasizes the constitutive role of practices in forming an identity” (ibid., p. 109).

Such critique is impotent because, even if some *talk* about HRM might assume such un-Foucauldian phenomena, we do not have to understand HRM practices as doing this. The HRM context could be described and understood in accordance with the above Foucauldian conceptions and nevertheless continue to be practiced exactly as it

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<sup>38</sup> This is arguably a general feature of any use of language (Wheeler, 2000e, pp. 125-129).

is today. In other words, these assumptions/presuppositions ascribed to HRM, and the contrasting assumptions, can be characterized as ornamentations of (a critique of) the social practices of HRM, rather than foundations upon which HRM in any crucial way depends.

However, Townley also presents some less philosophical general points of views which we view as more relevant. What would seem to be needed is a more substantial discussion on the (pragmatical-ethical-political) limits of e.g. HRM practices. This should be a discussion which tries to describe and explain any conceivable rejectable assumptions and consequences in much more concrete terms. It should be a discussion which hermeneutically tries to understand the demands on different stakeholders and preferably back up any arguments by empirical evidence. Townley discusses one study which perhaps fulfills these goals, but interestingly she admits that “it is not a Foucauldian analysis” (ibid., p. 142). Townley notes the importance of “bringing to light domains of hitherto unrecognized knowledge” (ibid., p. 151). She argues that

“[r]ather than knowledge providing the potential for a basis of social consensus on meaning and interpretation, it enables those who use it to minimize their contact with that which is represented... [what is important] is the rediscovery and revalorization of experience” (ibid., pp. 154-155).

Here we (at least superficially) agree with Townley. We will try to design a study which is (at least partly) sensitive to this experience, which hypothesizes that this experience is important and matters in terms of the very effectiveness of HRM. We also to some extent agree with Townley on the related issue in terms of her claim that “[r]ather than meaning being universal it has to be seen as relative, contextual and multiple” (ibid., p. 161). Also this is something our theorization and operationalization will try to be partly sensitive to. However, our study is also sensitive to the fact that there may be more general contingently more or less stable meanings and to the fact that we would also need knowledge of such meanings. The existence of any more generalizable meanings cannot be known a priori. It is clear that at least from an ethical standpoint we should also engage in qualitative studies which can describe and explain the experience of employees in even more sensitive terms, taking into account “the importance of difference” (ibid., pp. 156-157). Further, our study is also based on the hypothesis, which we find to be at the center of the rhetorics of HRM, that practices which seek “to eliminate oppressive and dominant behavior, and opposes institutionalized dominance and subordination...” (ibid., p. 161) is relevant to consider for organizations from a purely economical point of view. Even if elimination is arguably impossible, in particular in the sense that power/knowledge always also is involved in dominance, at least continuous amelioration should be the objective.

In short, our study is an attempt to begin to test the hypothesis that the ethical question of how organizations and managers conduct themselves in their relations (among other things through the HRM practices) to employees (cf. ibid., p. 164) matters also in economical terms. It is fully possible that it does not. This would not preclude a less economically fruitful and more purely ethical and political critique of HRM but such a critique would arguably be less powerful.

Our theorization/conceptualizations/operationalizations/methodology will not be founded upon any a priori argument about the necessary ontological structure of either

the employee or the social world. The question of whether “[t]he social has itself now imploded upon itself beyond the reach of meaningful human intervention” (Hancock, 1999, p. 167) is an empirical question. With reference to HRM, Hancock argues that it may have and refers to Baudrillard. The latter may have interesting comments/arguments and views on this topic but they still remain just that. “The world we have created has become too complex, too unpredictable” (ibid., p. 169). Well maybe, maybe not. Maybe it always has been.

#### 2.2.4 Conclusion: a suggested attitude towards ontology

Rorty has argued that

“Our identification with our community – our society, our political tradition, our intellectual heritage – is heightened when we see this community as ours rather than nature’s, shaped rather than found, one among many which men have made” (1982, p. 166).

This sounds like social constructionism but note that it only suggests some advantages with such a perspective. With reference to philosophical distinctions, Rorty argues,

“[f]or pragmatists, the question should always be “What use is it?” rather than “Is it real?”. Criticism of other philosophers’ distinctions and problematics should charge relative inutility..., [i.e. concerning] distinctions whose employment has proved to lead nowhere, proved to be more trouble than they were worth,... rather than “meaningfulness” or “illusion” or “incoherence” (Rorty, 1998c, p. 45).

For us, universal arguments with reference to social constructionism, relativism, positivism, instrumentalism<sup>39</sup>, realism, objectivism or subjectivism in any form, are examples of what Fine (1986) calls “unnatural attitudes”. We subscribe to Fine’s suggestion of the Natural Ontological Attitude (NOA).

“NOA, as such, has no specific ontological commitments. It has only an attitude to recommend: namely, to look and see as openly as one can what it is reasonable to believe in, and then to go with the belief and commitment that emerges<sup>[40]</sup>...In particular, NOA encourages us to take seriously the idea that what the scientific enterprise has to offer is actually sufficient to satisfy our philosophical needs<sup>[41]</sup>. It urges us to explore what happens philosophically when we approach science with trust, and openly; i.e. without rigid attachments to philosophical schools and ideas, and without intentions for attaching science to some ready-made philosophical engine” (1986, p. 176-177).

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<sup>39</sup> Rortyan neo-pragmatism could be argued to be nothing else than a form of instrumentalism. However, the crucial difference is that Rortyan neo-pragmatism is trying to avoid interpreting “science in accordance with a set of prior, extra-scientific commitments...[as well as to avoid] the presupposition that science is the sort of enterprise that requires and/or permits of a general interpretation” (Fine, 1986, p. 171).

<sup>40</sup> This of course entails critical thinking and a general critical attitude.

<sup>41</sup> What is referred to here are our epistemological needs in terms of justifying empirical scientific claims. There are naturally a host of existential/normative/aesthetical “philosophical” needs to describe our lives and the world we confront which go beyond this.

This naturally allows all the room in the world for conceptual innovations and different perspectives. It thus in no way inhibits the challenging of the current (social) order. In social science there are more reasons to try to approach science openly than with trust, but this cannot and need not on this view be ultimately justified with philosophical arguments. It has more to do with what purposes we think are worthwhile to fulfill (which can very well be informed or inspired by philosophical or normative arguments), pragmatic judgements about what would be the best ways to do this and the more detailed status of current knowledge about such ways.

In summary, Rorty draws the following conclusions from the history of philosophical reflection on ontology and epistemology, and the oscillation between objectivity and subjectivity, between realism and relativism, dogmatism and scepticism:

“[M]y strategy for escaping the self-referential difficulties into which “the Relativist” keeps getting himself is to move everything over from epistemology and metaphysics to cultural politics” (Rorty, 1998c, p. 57).

By “cultural politics” Rorty means that

“There is no way for human beings to get beyond their own practices except by dreaming up better practices [including HRM practices or scientific practices], and no way to judge these new practices better except by reference to their various advantages [respectively various disadvantages] for various human purposes” (1998e, pp. 127-128).

At least with reference to our pursuit of empirical knowledge, philosophical ontology can arguably be seen as utilizing a vocabulary “which might have proven to be of value but in fact did not” (Rorty, 1998c, p. 45). Rorty's point of view is that

“metaphysically active inquirers...take seriously such bad, unpragmatic questions as “subjective or objective?”, “made or found?”, “ad nos or in se?”, socially constructed or for real?” (1998b, p. 29).

On this view ontology contingently follows from epistemology. The contingent nature of epistemology, in turn, will be suggested in the next section<sup>42</sup>.

## 2.3 EPISTEMOLOGICAL BEHAVIORISM

A Rortyan pragmatist argues that there is no other ultimate criterion to be used in science (or philosophy) than convenience.

“The metaphilosophical question about pragmatism is whether there is something other than convenience to use as a criterion in science and philosophy” (Rorty, 1998c, p. 57; see also Rorty, 1980. pp. 306-311).

This convenience is not an “anything goes at any time” convenience. The argument is simply that there are no other fruitful criteria in science than pragmatical (including

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<sup>42</sup> It seems problematical to argue, either at an individual level or at a general level, that either epistemology or ontology simply *follows* from the other as is done e.g. by Heiskala. “[T]he notion of the ontological structure of society is a reflection of the epistemological conception the researcher works with” (1997, p. 332). It can equally well, but equally problematically, be claimed to be the other way around.



ethical and political) ones. As the pragmatic usefulness of anything is most often a complex question up for grabs, this argument solves no (“pragmatical”) problems. It merely suggests a more concrete focus of disputes about epistemology and ontology.

Thus, evaluations of convenience or inconvenience by communities of peers are the only justifications of claims to knowledge within the “epistemological behaviorism” Rorty advances.

“Epistemological behaviorism (which might be called simply “pragmatism”, were this term not a bit overladen)...is the claim that philosophy will have no more to offer than common sense (supplemented by biology, history etc) about knowledge and truth” (Rorty, 1980, p. 176).

In essence, Rorty’s epistemological behaviorism involves the suggestion of

“explaining rationality and epistemic authority by reference to what society lets us say rather than the latter by the former” (ibid., p. 174).

This is the same thing as “turning everything over from epistemology and metaphysics to cultural politics” (Rorty, 1998c, p. 57). The suggestion is that we should be able to cope (in an epistemological sense) with everything we confront simply by adherence, at a general level, to the following 5 principles:

FIRST PRINCIPLE: “There is not a fact of the matter [independent of observers and actors] as to whether statements people make are warranted or not” (ibid., pp. 49-50).

This argument is largely based on interpretations of Quine’s (1951) critiques of the “two dogmas of empiricism” and Sellar’s (1963) critique of “the myth of the given”<sup>43</sup>.

(2) SECOND PRINCIPLE: “Whether a statement is warranted or not is [dependent on] whether [an unspecifiable part] of one’s cultural peers would say it is warranted or unwarranted” (Rorty, 1998c, pp. 49-50).

There is no “majority vote” involved here (Rorty, 1998, p. 55). This view only acknowledges that knowledge is relative to some undefinable agreement. The extent of agreement/disagreement is the best measure we can get on the adequacy of our knowledge but it will most naturally be partly relative to communities which are deemed to have an understanding of the issues involved. A minimal requirement would seem to be that researchers within the relevant field agree upon something. Thus in fact, on this view we should give up the attempt, which goes back all the way to Plato, at *defining* knowledge in terms of necessary and sufficient criteria. Thus, we also clearly give up the idea of being able to *identify* something as definitely knowledge or definitely not knowledge. On this view there are only more or less justified beliefs or alternatively more or less justified knowledge.

An opponent to this view on knowledge would have to argue that there is

“some way of determining warrant *sub specie aeternitatis*, some natural order of reasons that determines, quite apart from S’s ability to justify *p* to

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<sup>43</sup> For some of these interpretations, see Rorty, 1980, pp. 165-212.

those around him, whether he is *really* justified in holding *p*" (Rorty, 1998c, p. 50).

Philosophers of science and philosophers of knowledge have been notoriously unable to "agree" on such a "natural order". Of course, there is nothing in principle which would prevent a currently unwarranted statement to *become* warranted (ibid., p. 50). But there is no definitive philosophical solution to this openness of what to accept as knowledge.

In particular, on this view, the notion of truth can play no explanatory role here because according to a Rortyan neo-pragmatism truth is not to be understood as anything which can explain something else. Rorty acknowledges a "disquotational use, a commending use, and ...a 'cautionary' use" but not an explanatory use of the concept of truth (1991h, pp. 126-129; 1998b, pp. 21-22). Truth in its disquotational or cautionary use does not have any explanatory role. The cautionary use simply refers to situations where we say about a claim that it is well justified but not necessarily true. The most substantial positive notion of truth Rorty acknowledges is truth understood as a compliment paid to certain sentences in the form of commending them. But this does not either have any explanatory role. According to this suggestion

"We should not say that truth is correspondence, coherence, warranted assertibility, ideally justified assertibility, what is accepted in the conversations of the right people, what science will end up maintaining, what explains the convergence on single theories in science, or the success of our ordinary beliefs" (Davidson, 1990, p. 309; cited in Rorty, 1998b, p. 24).

In general, pragmatists simply argue that we should *not* "try to specify the nature of truth" (Rorty, 1998a, p. 3) and that a definition of *the nature of truth is not essential since* "truth is not the goal of inquiry" (ibid., p. 3).

(3) THIRD PRINCIPLE: "Our norms or standards of warranted assertibility are historical products; they evolve over time" (1998c, p. 49).

At an abstract level, there is some current agreement that science has certain criteria for knowledge not necessarily adopted by other human activities. A usual (non-complete) list of "scientific values" (Rorty, 1980, p. 331), or criteria of knowledge include "[predictive] accuracy, consistency, scope, simplicity, and fruitfulness" (Kuhn, 1977, p. 322). However, the "trade-offs between satisfaction of these various criteria provide room for endless rational debate" (Rorty, 1980, p. 327). For a discussion on these values, see Hoyningen-Huene, 1993, pp. 147-154. The above mentioned list is usually taken to indicate the position of methodological monism (Braaten, 1991, p. 108) but the pragmatist point of view does not reject the value of different methodologies. It thus represents a middle road in the debate on methodology. The degrees of the above standards will also vary e.g. between different sciences, not only between the natural and social sciences. For quantitative social scientific research these criteria are clearly relevant. So are arguably at least consistency, simplicity, scope and fruitfulness with reference to general explanatory frameworks also for qualitative research (and philosophy!). However, there may well be many areas dealt with in social science which cannot be described and explained in a consistent *and* simple *and* generalizable *and* fruitful manner. We simply cannot know apriori. One essential task for social science is thus also to problematize any apparently simplistic, consistent and generalizable accounts in terms of their very

(un)fruitfulness, (in)consistency, (over)simplicity or (non)generalizability. The “trade offs” here provide endless room for hermeneutical ethical-political-pragmatical debates.

The HRM discourse has been criticized on most of these dimensions: *consistency* (Steyaert and Janssens, 1999, p. 185); *scope* (it might be very limited due to the assumptions pointed out by MacDuffie, 1994, p. 199); *fruitfulness* (Evans (1999) has offered one critique, March and Sutton (1997) indirectly another one); *simplicity or parsimoniousness* (Noon, 1992, p. 21). As far as any more exact *predictive accuracy* is concerned it is really too early to say anything other than that not very promising results have been produced. In fact, in light of the history of social science at large, high predictive accuracy is unlikely to be produced. In social science we are however ideally looking for “accuracy” in terms of agreement on the explanatory power of different phenomena (in quantitative research a combination of statistical significance of relationships, slope coefficients and R-square). Related to the criteria of predictive accuracy, fruitfulness and scope is an element generally perceived, on good grounds, to be crucial to the scientific enterprise, i.e. replication. In the field of HRM research, as in organization science at large, there is a lack of such replication studies (Hubbard, Vetter and Eldon, 1998; Tsang and Kwan, 1999). This is clearly a weak point. However, *pace* Tsang and Kwan (1999, p. 761) there is no need to evoke a “desk-thumping, foot-stamping” realism (Fine, 1984a, p. 97) in any form in order to understand the importance of replication studies<sup>44</sup>.

(4) FOURTH PRINCIPLE: “Our norms and standards always reflect our interests and values. Our picture of intellectual flourishing is part of, and only makes sense as part of, our picture of human flourishing in general” (Rorty, 1998c, p. 49).

Science, in terms of communities of scientists, always have some purposes and rules more or less suitable for those purposes. We read Pfeffer (1993) as arguing for the undeniable importance of such shared rules for a field of science although he went too far with the (somewhat desperate) idea of imposing them (Cannella and Paetzold, 1994).

(5) FIFTH PRINCIPLE: “Our norms and standards of *anything* – including warranted assertibility – are capable of reform. There are better and worse norms and standards [depending on purposes]” (Rorty, 1998c, p. 49).

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<sup>44</sup> There are deficiencies concerning replications also in qualitative research. It is difficult for researchers to explicitly exhibit their specific interpretative application of ideal rules and guidelines for different types of qualitative research. This is why at least approximate replication studies by independent researchers in this genre would be at least as important as in quantitative research. However, here replication studies are probably even less prevalent than in quantitative research. Hermeneuticists often argue that “the principle of replication should not be imposed on the social sciences for they consider social science observations to be unique in nature” (Tsang and Kwan, 1999, p. 761). This a priori argument would be rejected by a Rortyan pragmatist. There is no way to know a priori whether some interesting similarities or dissimilarities would not present themselves across replication attempts both with reference to the same population as well as other populations. Any such similarities or the lack of them would in most cases have an effect on the epistemic confidence we would have in the results of any one hermeneutical study. The uniqueness argument should not be provoked as a general argument. It would also seem to depend on the specificity of the research question and the conclusions one is interested in.

Rorty's argument is simply that any debates over methodological, ontological or epistemological questions, are best viewed as debates about the utility of assumptions and norms of justification.

The five claims above, as any other claims made by Rorty, are not truths in a sense of correspondence to some kind of reality. The above claims can themselves, within Rorty's vocabulary, in the most substantive sense be true only in terms of commending or endorsing the sentences (Rorty, 1998b, p. 21-22). Further, even if basically agreeing with the above neo-pragmatist principles, those who think it is important can continue to claim e.g. that a social constructionist ontology or a postmodern attitude is "better by reference to [the] advantages" for some human purposes. Similarly researchers can disagree on the (overall) utility/purposefulness of different conceptualizations of HRM. "All the pragmatist can do is to point to the seeming futility of metaphysical activity" (Rorty, 1998c, p. 42). In Rorty's view, science is not to be viewed as capturing objective reality, but rather "the only sense in which science is exemplary is that it is a model of human solidarity" (1991g, p. 39).

What we shall call science and what not is a notoriously difficult problem sometimes referred to as the "demarcation problem" (Niiniluoto, 1984, pp. 19-30). Rorty simply leaves us with the point that there are differing degrees of justification of claims made within different ("scientific") disciplines. Some activities many of us choose to call mere non-sense. It is important to observe that Rorty's notions of science and knowledge do not lead to "scientism" ("the view that all knowledge is scientific knowledge") (1991i, p. 107). However, he suggests loosely that

"[w]e call something science insofar as it enables us [or increases our possibilities] to predict what will happen, and therefore to influence what will happen...We hesitate to put economics, sociology, history, or literary criticism [or organization science/studies!] in that box, because none of those disciplines seems capable of answering questions of the form "If we do this, what will happen?" (Rorty, 1998a, p. 5).

Researchers in e.g. organizational science are still fighting, trying to increase our understanding and in some of its areas to help us predict or at least foresee what may happen if we do this rather than that, or for that matter, what has happened (to us) in order to show what might have happened and/or might happen.

Whitley (1984) has fairly plausibly argued that there are no philosophical reasons to expel organizational studies from the family of sciences. But he also admits that

"indeed, as a field with common explanatory ideals and technical procedures it is dubious that it exists" (ibid., p. 387).

This is partly because "our picture[s] of human flourishing in general" (Rorty, 1998c, p. 49) diverge. But there may also be other reasons. When Whitley claims that "there are no epistemological reasons to management research not being scientific" (1984, p. 387), he excludes the empirical possibility of simply confronting a (causal) complexity which might affect its status as a science which can answer questions of the sort "If we do this, what will happen?".

### 2.3.1 Meaning, reference and justification - and why social science is problematical

Questions of meaning and interpretation are at the center-stage in the debates about the nature of social science, appropriate methodologies and the status of social scientific knowledge. Philosophy of language has dominated much of twentieth century philosophy. Indeed twentieth century philosophy can be characterized as having taken "the linguistic turn". For some evidence of this and the hopes attached to it, see Rorty, 1967/1992. However, according to Rorty's largely therapeutical view, philosophy of language does in no privileged sense have anything "to do with epistemology, [and] its "ontological" ...[consequences] are bound to be bland" (Rorty, 1980, pp. 260-261).

In all its apparent simplicity, Rorty's suggestion is that

"[t]he way we identify [the pattern truth makes in the behavior of people]...is to gather information about what episodes and situations in the world cause an agent to prefer that one rather than another sentence be true"[<sup>45</sup>]...[the] pattern that rationality makes is the same pattern truth makes, and the same pattern meaning makes. You cannot have language without rationality, or either without truth...the pattern truth makes is the pattern that *justification to us* makes" (ibid., p. 23-25) <sup>46</sup>.

The empirical project of coming to an agreement on the more specific causes of peoples' endorsement of sentences is of course no easy matter. In addition to the attempt to establish some kind of "pattern that truth makes in the behavior of [certain] people" social science is also trying to understand/establish additional (causal) relationships between the behavior and attitudes of people and/or institutional characteristics, i.e. (causal) relationships which cannot be identified only by identifying "the pattern that truth makes in the behavior of [those same] people". Thus, empirical social science attempts to go *beyond* this level of theories of meaning and construct empirical theories of (causal) relationships between sentences that describe the behavior and attitudes of people/institutions. There are many suggested and debated methodologies available for a researcher in social science trying to understand/explain the behavior of people and institutions. The attempt to empirically identify and justify more or less general causes in more complex cases is one of the debated tasks of social science. Although arguably philosophy, including philosophy of language, cannot decide for us whether this is possible or not it is clearly a very difficult project indeed.

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<sup>45</sup> On this point Rorty cites Davidson (1990, p. 322).

<sup>46</sup> Deconstruction and critical social science usually head for particular patterns meaning makes (and thus at least indirectly for the other patterns identified above) and occasionally they do a fruitful job in sensitizing us to important unreflected assumptions, important unthought of consequences or problematics of our linguistic behavior. It is in questioning, debating and suggesting the above kind of patterns that philosophical debate more generally, as one party in the conversation, still (and always) probably can be influential. One way to explicate this task, and a way which might be *pragmatically* defended, is to say that it concerns adhering to and defending "the ideal of discursive accountability" (Wallgren, 1996, p. 129). What such discursive accountability should be understood to involve is however a difficult question since rhetorics arguably play a role in any discourse.

In any case, a (philosophical) theory of meaning is, on Rorty's interpretation,

"an understanding of the inferential relations between sentences [and to] understand these relations is to understand the truth-conditions for the sentences" (Rorty, 1980, p. 260).

By suggestion, the same pattern of inferential relations is thus also the object of a theory of truth which is simply "an empirical theory about the truth conditions of every sentence in some corpus of sentences" (Davidson, 1990, p. 309; cited in Rorty, 1998b, p. 23). The suggested holistic view on meaning, which Rorty more or less adheres to, involves the idea that "a theory of meaning for a language must do *no more than*" (Rorty, 1980, p. 303)

"give an account of how the meanings of sentences depend on the meanings of words...[where] individual words must [not] have meanings at all, in any sense that transcends the fact that they have a systematic effect on the meanings of the sentences in which they occur" (Davidson, 1990, p. 304-305, cited by Rorty, 1980, p. 303).

Rorty notes that this

"Davidson's neo-Wittgensteinian point is that even "red" and "mama" have uses - can help make possible the statement of truths - only in the context of sentences and thus of a whole language" (Rorty, 1980, p. 303).

Rorty thus rejects the possible alternative of

"[s]omeone who is not a holist in this sense...[He/she] will think that understanding a language is a matter of two distinct processes - tying individual words on the world via ostension [without stage-setting], and then letting other words build up meanings around this central core in the course of being used. He[/she] will also think that understanding what "truth" means involves "analyzing" every sentence until ostensions which would make it true become apparent. This picture of holism ceasing to apply at the point at which reference is least problematic...is one way to get the scheme-content distinction going" (Rorty, 1980, p. 304).

Only empirical adequacy involving ethical-political-pragmatical judgements will put an end to a "meaning-regress" in the holism suggested by Rorty. That is also why deconstructive critique on this view is simply a critique of explicit or implicit empirical theories of meaning. Such critiques can be illuminating in the sense of changing theoretically relevant structures (patterns) of meaning or they can provide merely aesthetic experiences. Whether they or any other kind of dissemination or semiosis will change the content of any implicit or explicit meaning is up to an ethical-political-pragmatical process. Since there are other more simple ways to understand this state of affairs, from the point of view a Rortyan neo-pragmatist, the complicated rhetorical (anti)metaphysics of deconstruction largely belongs to an optional, aesthetic sphere.

In Rorty's interpretation, reference, i.e. what our terms refer to, is simply a "noncontroversial fallout from our best theor[ies] about things in general" (Rorty, 1980, p. 294). In many cases concerning middle sized physical objects we largely agree on what we refer to. However, in many other cases we are evidently far from agreement on what the inferential relations between sentences are and thus the truth

conditions and thus (evidently) what we refer to (e.g. vis á vis sentences using the notion 'HRM').

For many areas of language use we have special sciences. These try both to settle disputes on and develop new inferential relations between sentences by constructing empirical theories which allow for more controlled corroboration of the truth (i.e. justification, i.e. commendability) of what we say, i.e. what we are scientifically justified to refer to and say about some phenomenon (e.g. HRM). Empirical research is thus never free from (the duty of) justifying and problematizing inferential relations between sentences, and thus meaning and truth conditions.

“[T]hese two inquiries cannot be conducted independently” (Rorty, 1991h, p. 138).

Thus, in some sense empirical scientists are not free from “philosophizing” in the sense of theorizing. Nor are, by consequence, philosophers free from (the linguistic behavior within) empirical sciences to the extent that they are saying anything which concerns the latter. This follows from the argument that any pure theory of meaning would not put an end to debates about the meaning of sentences nor the reference of words. This would seem to be a highly probable consequence of the holistic theory of meaning attended to by (at least) Rorty (1980, p. 303).

There could in principle be a time when a pure empirical project concerning the settlement of questions of reference could be carried out independently of philosophising only if there would be a time where a full empirical theory of meaning would have been realized *and* there would be no disputes or conceptual innovations affecting such a theory of meaning. As implied by Wallgren (1996, p. 90; p. 120), this “time” is exactly as difficult to imagine (but not a priori non-sensical) as the meaning of the idea of a full “set of axioms that entail, for every sentence in the language, a statement of the conditions under which it is true” (Davidson, 1984c, p. 56, cited in Wallgren, 1996, p. 120)<sup>47</sup>. This is why we think that Rorty’s focus on the more limiting aspect of Davidson’s idea is more justified, i.e. whatever a theory of meaning would do, it

“should do *no more than* ‘give an account of how the meanings of sentences depend upon the meanings of words...in terms of their systematic effect on the meanings of the sentences in which they occur’” (Rorty, 1980, p. 303).

Whether such accounts, even in any limited and thus arguably more conceivable form, would be illuminating is an open question (Wallgren, 1996, pp. 89-101)<sup>48</sup>.

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<sup>47</sup> For some illuminating arguments about language, meaning and truth along these lines, see Wheeler, 2000e, pp. 116-136). “In a real language, the [language] is in dispute. That dispute is not about which meanings to attach to which words, but rather about what is to be said and when to say it. All such disputes take place in a particular concrete situation that makes some predications suitable” (ibid., p. 136).

<sup>48</sup> It is important to note that such a theory of meaning is an empirical theory. It does not involve a priori assumptions about any necessary given meaning, necessarily unified subjects (authors), necessarily given intended meanings or the necessary epistemic privilege of such meanings. Such an

What we try to justify and thus truth, as Putnam has clearly pointed out, is relative to the context and our interests. Putnam argues that

“A caused B depends upon the context and the interests of the people making the judgement (for example what people want to know in a particular context)...[but to] say that a notion is interest relative is not to say that all interests are equally reasonable” (1992, p. 64-66). “[A] causal statement... [can] only [be] true or false when a certain framework of pre-understandings is in place, including which conditions should be considered as “background conditions” and which conditions should be considered “bringers about” of effects. But to think of conditions as background conditions or bringers-about of effects one already has to be able to refer. There isn’t a distinction in the physical [or any other] facts themselves between background conditions and bringers-about of effects independent of the existence of human beings with human interests and human capacities” (ibid., p. 209).

The context and our interests, in turn, are nothing but a function of the patterns truth, meaning, justification and rationality (“to us”) make. It is in the midst of the openness of these patterns that complexity has to be justifiably reduced in for example quantitative (and qualitative) organizational science. It is against the backdrop of this openness and complexity that the “pre-paradigmatic” debates within social (and organizational) science take place. It is because of this complexity and openness that generally warranted statements in social science are so difficult to come by or produce. The above mentioned patterns, including the interests and contexts are also historically evolving and dependent on the judgement of (an unspecifiable number of) one’s peers.

In line with this, Davidson has argued that

“all the evidence there is is just what it takes to make our sentences or theories true. Nothing, however, no thing makes sentences or theories true: not experience, not surface irritations, not the world, can make a sentence true” (Davidson, 1984b, p. 194)<sup>49</sup>.

Rorty interprets this as saying that

“[t]he lines of evidential force [i.e. inferential relations between sentences], so to speak, do not parallel the lines of referential direction...To know about the former lines is to know the language in which the beliefs are expressed. To know about the latter is to have an empirical theory about what the people who use that language mean [or refer to] by what they say – which is also the story about the causal roles played by their linguistic behavior in their interaction with their environment...The urge to coalesce

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empirical theory of meaning can also acknowledge that there are complex historical processes involved in any empirically (pragmatically) determinable meanings. Such a theory of meaning is thus clearly limited and tentative in the same sense in which any empirical theory is. Compare Wallgren who argues that “formal semantics [should perhaps be thought of] as descriptive of certain features of our language...and ways of talking about language” (1996, p. 101).

<sup>49</sup> From Rorty’s perspective such claims would have to be read as arguing for a fruitful way of understanding, i.e. as opposed to ways which have “proved to be of more trouble than they were worth” (Rorty, 1998c, p. 45).



the justificatory story and the causal story is the old metaphysical urge..." (Rorty, 1991h, p. 148)<sup>50</sup>.

There may be both "lines of evidential force" (i.e. meaning) and/or "empirical theories about reference" which do not hold up against empirical evidence. In fact, an important and difficult task of social science is to put such "lines of evidential force" and "empirical theories about reference" in question, with March and Sutton's words, without precipitately "destroying vital elements of community built on social myths and intuitive knowledge" (1997, p. 704). Referring to Davidson, Rorty argues that in the simplest form it can be said that

the truth of an utterance depends on just two things, what the words mean and how the world is arranged...[and] these two inquiries cannot be conducted independently" (Rorty, 1991, p. 138).

Truth depends on the latter only in the sense that the world *and* our practices/uses of words are such that we can continue to be justified in our "linguistic behavior in interaction with the environment" (Rorty, 1991, p. 148). This can be either behavior in the physical world (which we refer to) or behavior in interaction only in (what we refer to as ) the conceptual world, i.e. in interaction with other linguistic behavior, within the realm of theories of meaning. On this view, it is philosophically uncontroversial to say that quantum mechanics corresponds to physical reality or even that e.g. Rawls's theory of justice corresponds to the Idea of Justice. These kinds of statements

"are true if and only if the world contains the right sort of things, and is laid out in the way the statements suggest...if one wants to say that there are no such things, then one can give an alternative theory of the world which does not contain them, but this will [by Rorty's suggestion] not be a [purely] *semantical* theory....No roads lead from the [semantical] project giving truth conditions for the sentences of [e.g] English...to criteria for theory choice...Correspondence, for Davidson [and Rorty] is a relation which has no ontological preferences – it can tie any sort of word to any sort of thing" (Rorty, 1980, p. 300).

This elaboration is consistent with Rorty's anti-representationalism, according to which we can view ourselves as

"in touch with reality in all areas of culture – ethics as well as physics, literary criticism as well as biology – in a sense of "in touch with" which does not mean "representing reasonably accurately" but simply "caused by and causing"" (1991, p. 9).

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<sup>50</sup> Another way of putting this is that "Discussions of the way in which truth is correspondence to reality float free of discussions of what there is in heaven and earth" (Rorty, 1980, p. 300). Rorty argues that in one sense for "holists, so to speak, truth is *always* evidence-transcendent" (1991h, p. 149), i.e. transcendent with reference to any specific evidence. There is always the cautionary use of truth, in the sense of some sentence being "fully justified, but perhaps not true" (ibid., 1998b, p. 22; ibid., 1991h, p. 128). This notion of truth roughly corresponds to the view of truth as "*a focus imaginarius*" (ibid., 1980, p. 306). In a sense there is always also the corresponding view of justification as "*a focus imaginarius*", in the sense of justified but (perhaps) not *fully* justified.

Empirical theories and their corroboration provide us with the most focused way of telling us what kind of entities we are causing and are caused by. The agreement among an unspecifiable part of a community on what these entities are, or “what there is in heaven and earth”, is the best criterion for the commending use of truth we have. Such agreement is dependent on the evidence we can provide according to our norms of justification. Within the social sciences, ranging from theology to economics, as within everyday linguistic behavior there are a wide range of different norms of justification in use. In addition, different scientific journals within any one field of science use somewhat different norms of justification/criteria of acceptance. Thus different notions about what there is in heaven and earth and accompanying different inferential relationships between sentences are affirmed/negated in different communities. The only difference between science and everyday uses of language or everyday activities to acquire beliefs, is that science is more attentive to (the problem of) adequate and shared norms of justification. Thus “the only sense in which science is exemplary is that it is a model of human solidarity” (Rorty, 1991 (d), p. 39).

In some areas of language use, most particularly in the fields of the natural sciences, there are some relatively cleared areas of inferential relations, truth conditions and commendable uses of the notion of truth, achieved through the corroboration of quite specific empirical theories about what carefully controlled events and situations people refer to (are talking about). These represent areas of language use where we (currently) agree on the “causal roles played by [our] linguistic behavior in interaction with the environment” (Rorty, 1991, p. 148).

In fact, however, Davidson has argued that

“most of our beliefs - most of *anybody's* beliefs - must be true...(because to ascribe beliefs in the first place one must evoke the Principle of Charity)...[According to Rorty], to say as Davidson does, that ‘belief is in its nature veridical’ is not to celebrate the happy congruence of subject and object but rather to say that the pattern truth makes is the pattern that *justification to us* makes” (Rorty, 1998, p. 25).

This does not mean that there are not numerous communities, including smaller groups of people, which between them would disagree on many truths, and even many truth conditions, simply because patterns of meaning, justification, rationality (and truth) differ between them. Even fruitful disagreement is however dependent on a mutual understanding of truth conditions. If there would not be a bulk of language use following such shared patterns we could not, based upon our own patterns of justification, make sense of other people's noises.

Nevertheless, there is no uncomplicated proof of the fact that we always can make sense of other people's (*anybody's*) noises in this way (Wallgren, 1996, pp. 89-101). This means that Davidson's claim that “most of *anybody's* beliefs must be true” according to our norms of justification is problematical. In any case, if we cannot make sense of other people's noises in terms of our own patterns of justification we always have the possibility to try to get “the hang of a new language game” (Rorty, 1980, p. 306). Deconstructive analyses or any other critical analysis designate ways in which, more or less from within a language game, we can try to *alter* beliefs, habits of action, what we refer to, meanings of words and truth-conditions of sentences, i.e. producing/getting the hang of at least partially new language games.

In summary, to share a language is on this view the same thing as agreeing and being clear about *inferential relations* giving *truth conditions* of sentences through and through. This still does not necessarily mean that one has to know or agree on the truth or falsity of all the statements. In any case, any two individuals seldom share a language through and through, hardly even with themselves as noted by Wheeler.

“[I]f we do not make the simplifying assumption that a person’s language or theory at any one time is a unified whole, then areas of our own language are indeterminate relative to other areas of our language” (Wheeler, 2000b, p. 31)<sup>51</sup>.

The idea that there would be large scale language uses with clear and universally accepted sets of inferential relations and references concerning social phenomena is of course absurd concerning all but the more simple parts of everyday language use. If this was not to be absurd we would not have so many open-ended discussions and debates with each other concerning these phenomena. In particular, if there were a completely shared unproblematic use of language, there would be no *need for critical and philosophical debate nor empirical science*. Arguably, for any community to be able to effectively use and change a language involves systematic inquiry into the justification (commendable truth or falsity) of inferential relations, i.e. inquiry into the success of the linguistic interaction within the community as well as success of the linguistic interaction with the rest of the world.

*Philosophy* is one party which can suggest alterations both of the truth conditions and truths of certain sentences. What it often does is to suggest the introduction of new vocabularies and thus new truth conditions, on rare occasions perhaps even of more immediate potential utility/consequences for empirical science<sup>52</sup>.

*Empirical science* is another activity which attempts to alter or produce new truths including truth conditions. Empirical science, utilizing some norms of justification, inquires into the truth or falsity of any given conceptualizations, i.e. suggested or currently practiced linguistic behavior, basically with reference to two broad and potentially overlapping areas. The natural sciences deal with questions concerning our interaction with that part of the world which does not respond to our inquiries in a language which we recognize as itself having truth conditions. The social sciences concern both our interaction in terms of scientific linguistic behavior as well as in general our (linguistic) behavior in any other human interaction. Thus e.g. a simple truth condition might be "HRM influences organizational performance' is true if and only if HRM influences organizational performance". Empirical-theoretical research on HRM might e.g. alter or complicate this truth condition by providing evidence for

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<sup>51</sup> For an explication of the characteristics of language which makes this evident, see Wheeler, 2000e. However, some confusion arises from Wheeler's use of terms here in that he seems to assume that a unified whole (coherent) language could not involve indeterminacy.

<sup>52</sup> Whether such philosophy should be edifying (Rorty, 1980, pp. 357-394 ) and/or imaginative (Rorty, 1998, p. 5), and/or transformative (Wallgren, 1996, pp. 1991-202), and/or deconstructive and/or simply philosophy “as the skill to form, find and produce concepts” (Deleuze and Guattari, 1993, p. 14; our translation) or anything else is up for self-reflective debate. Wallgren (1996) seem to us a balanced example of such (difficult) self-reflection.

the fact that we need to distinguish between different meanings of 'human resource management' and/or 'organizational performance'. Empirical evidence might also indicate that the truth of such a claim is conditional on certain other elements. Finally, empirical science may provide evidence for theories which explain how such an influence operates or that a certain conceptualization of human resource management does not seem to have any distinctive influence.

However, corroborated and very generally agreed upon empirical theories are extremely difficult to produce even with reference to small parts of the use of language referring to more complex social phenomena. This has to do with both conceptual and empirical complexity and dynamics, with interests and with the impossibility of extensive controlled laboratory experiments<sup>53</sup>.

In order to understand the difficulties involved in social science, we need not evoke any metaphysical arguments dictating universal choices between dualisms (e.g. mind/body; modernity/postmodernity; freedom/determinism; subject/object; social constructivism/objective realism; fact /value; agency/structure; individualism/collectivism etc). Any such a priori universal choice between dualisms would, on the explicated understanding, merely be an ornamentation of (a critique of) social (scientific) practices. In short, by suggestion it would amount to utilizing a vocabulary "which might have proven to be of value but in fact did not" (Rorty, 1998a, p. 45)<sup>54</sup>.

## **2.4 GENERAL EPISTEMOLOGICAL/ONTOLOGICAL CHALLENGES IN HRM RESEARCH**

Instead of studying the effects of HRM practices, we might study and/or philosophically reflect upon (historical) "background" causes (e.g power/knowledge structures) of interpretations of such HRM practices or causes of their very existence and try to argue that these are more relevant important (and contingent) causes of any HRM effects than the practices per se. We can in principle try to trace whatever HRM and HRM related discourses accomplish (or how they have become what they are) as far back in history and/or as far into metaphysics as we see a need to go. However, in our thesis we take much of the capitalist system, the competitive pressures on organizations as well as the more explicit behavior and perceptions of individuals as background conditions, i.e. as assumptions for the relevance of our HRM theory of organizational performance.

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<sup>53</sup> Our position is basically the same as that described by Heiskala as "the endless complexity of [the] ontological description of [social] reality" and that the only conceivable way to go about this complexity is to try to justify a minimization of it "in accordance with the limits set by the research task" (1997, p. 327). The complex dynamics of the objects of social scientific research, in addition to being due to the causal complexity of social processes at any specific point in time, is also due at least to one generally acknowledged dynamic fact: "people are self-interpreting beings who can learn from and change their interpretations so that they can act and respond in novel ways, thereby producing novel stimuli for subsequent actions" (Sayer, 1992, p. 234).

<sup>54</sup> This last claim is in itself fundamentally (also) both a contingent conceptual and a contingent empirical claim largely based upon an interpretation of the history of philosophy.

Our interest in this particular study is based upon the judgement that in order to increase the substance in debates on the virtues and vices of HRM, we would at least need more agreement on how HRM, as it is practiced today, should be conceptualized. We also seem to need more empirical evidence of what such HRM accomplishes from the more manifest points of views of employees and organizations. Before we can agree on these questions, it is difficult to arrive at a fruitful conversation about what our attitude towards “HRM” should be. In this thesis we will pursue both of these questions. As already argued, these two inquiries can hardly “be conducted independently” (Rorty, 1991, p. 138).

In this pursuit we will try to understand the language, mainly as used within the scientific community, in which beliefs about HRM are expressed. We will try to discuss and develop relevant, plausible and ethically legitimate inferential relations between sentences in this language. In line with the general norms presented here, we will try conceptually to justify a certain view of the more specific relevant epistemological/ontological landscape of a HRM theorization of organizational performance, one answer to the questions “What is strategic soft HRM and what are its potential consequences?”. The general (potential) justification or lack of (potential) justification for this interpretation of the language of HRM will be the combined degree of its utility or fruitfulness for organizations, employees and researchers.

We will also interpret the language of HRM as a scientific language, i.e. a language where the lines of evidential force are (to be) dictated by the broad scientific values discussed above. We have already indicated problems involved in such an interpretation. We have e.g. mentioned the potentially limited scope of a HRM theorization of organizational performance. We will also later discuss many specific complications which makes its fruitfulness questionable.

Although many researchers seem to interpret the language of HRM as a scientific language there are also different interpretations. “[HRM’s] purpose is to transform, to inspire, to motivate, and above all to create a new ‘reality’...To explain it is to destroy it” (Keenoy and Anthony, 1992, p. 238) and “[b]elief in HRM is not based upon deconstructing theory or looking for proof, but on faith” (Noon, 1992, p. 27). It may after all be that most of the management discourse has this purpose and logical structure of belief rather than any other (or that despite aspirations this is the “only” purpose/logic of belief it can have). Nevertheless, to the extent that empirical science has any job to do, it should not rest content with this state of affairs. HRM’s purpose may be to create a new reality. One task of empirical research is to try to specify and justify perspectives on such a reality and study the consequences of it from such a perspective.

Thus, we will try to translate our interpretation/development of the language of HRM (what we are saying about HRM and HRM related phenomena) into a language of an empirical theory capable of quantitative empirical corroboration. To the extent that we in fact can find evidence for such a theorization in accordance with acceptable norms of justification we provide evidence as to the truth (justification, commendability) of what the theorization says or suggests. This would not be evidence as to a correspondence with an extra-theoretical reality but simply evidence as to the empirical justification, according to a set of norms, of certain inferential relations

between (an operationalization of) the sentences in a particular theorization<sup>55</sup>. To the extent that the research community can agree on such an interpretation-development-translation, and only to that extent, can we (as a research community) more seriously *begin* to empirically justify or problematize what we mean by what we more specifically say about HRM and its effects<sup>56</sup>.

Thus our thesis, and mainstream empirical HRM research at large, is heavily up against at least two challenges: (1) agreeing upon an understanding/development of a language of HRM (its inferential relations), (2) the translation of such a language into an empirical theory allowing us to test and corroborate the truth of what is said in this language, i.e. whether the suggested linguistic interaction with an as specified environment as possible is successful judged by a set of epistemological norms. “[T]hese two inquiries cannot be conducted independently” (Rorty, 1991, p. 138). The latter challenge include the problems which the lacking development of operational constructs and the empirical complexity confront us with. None of these problems/challenges are, however, solvable by a priori philosophical analysis<sup>57</sup>.

Nevertheless, research in the social sciences is inextricably involved in complex ethical-political-pragmatical questions. In social science the justification of any conceptualization of a research topic, and evidence related to it, is e.g. always particularly complicated due to the question of whose interests are relevant and legitimate and even what these ought to be. One manifestation of the open and complex problematic within the social sciences is the need for both conceptual as well as qualitative and quantitative empirical research. We will briefly return to the issue of methodology below. However, in the next chapter we will summarize our understanding of philosophy

## 2.5 PHILOSOPHY

From this short excursion into philosophy it is evident that at least we believe that what we or anyone else claim to be able to conclude from research is no “matter of fact” in the sense of correspondence to an extra-theoretical reality. At the same time we have argued that any a priori, universal epistemology or ontology is likely to be both problematical and unfruitful.

“The great Western philosophers should be read as therapeutic rather than as constructive: as having told us what problems *not* to discuss: scholastic problems in the case of Descartes, Cartesian problems in the case of Kant,

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<sup>55</sup> There is thus in our efforts no attempt “to coalesce the justificatory story and the causal story” (Rorty, 1991h, p. 148).

<sup>56</sup> Currently there is little agreement on inferential relations and truth conditions of sentences in the language of HRM. Thus, there is not yet even the possibility of much corroborated scientific empirical *evidence* as to the truth of what researchers claim about HRM and its consequences.

<sup>57</sup> Concerning our attempt to provide some empirical evidence for our conceptual arguments, we will also try to adhere to more specific norms of statistical justification. Also these are constantly debated. Organization science (including our study) seldom perfectly complies even with current recommended statistical norms (e.g. related to sampling, normal distributions of data, discriminant and convergent validities of constructs, etc). These issues will be discussed later on in the thesis.

Kantian problems in the case of Hegel, and metaphysical problems (including those raised by Hegel's attempt to prove that reality is intrinsically spiritual in character) in the cases of Nietzsche, James and Dewey" (Rorty, 1998, p. 6).

One might add that late 20<sup>th</sup> century philosophers have contributed further to the therapeutic project of rejecting metaphysical/epistemological problems in terms of any essentialism across the board e.g. in the cases of Wittgenstein, Quine, Davidson, Rorty and at least partly Derrida. Although Rorty does not view this therapeutic task as the only task of philosophy he sees it as an important one.

"To sluff off an obsolete terminology makes us more sensitive to the life about us, for it helps us to stop trying to cut new, recalcitrant material to fit old patterns" (ibid., p. 6).

What therapeutic philosophy can do, from the perspective of a Rortyan pragmatist, is to *suggest* an understanding (a way of talking) in terms of the relations between very general (epistemic) statements which do not involve question beggings, aporias and self-referential paradoxes. 'Therapeutic philosophy' might also be understood as including the *suggestion* that the pursuit of transcendental, a priori universal, indubitable, apodictic arguments relevant for empirical science has, through the history of philosophical reflection, *empirically* been adequately shown to be unfruitful. 'Empirically' here refers to the history of western philosophy itself. This naturally does not mean that the history of western philosophy does not constitute interesting material for reflection (on the human condition) nor that future philosophy, whatever it will be like, may not do so.

In fact, without pretending to know what is to become of philosophy, Rorty suggests another important task for something we could call philosophy, i.e. as a stakeholder in an edifying/imaginative discourse with no pretensions to know something about knowing or anything else that anybody else does not (1980, pp. 357-394). This would be philosophy as a partner in the conversation rather than as presenting apriori truths as foundations or anti-foundations which "legitimizes" critiques of the nature of empirical science from some ideal ontological/epistemological point of view. However, because of professionalization, esoterism, etc. such conversation will always be a challenge.

In any case, there is in our interpretation of Rorty's conception no justification for arguing for an "end of philosophy" in its entirety. In fact, we have all along made explicit that this, we think, is not the aim of Rorty's writing. Thus, we would argue that e.g. Wallgren, in his critique of Rorty, is focusing on some rhetorical excesses of Rorty's writing (1996, pp. 193-197). In fact, we think that Rorty would agree on most of what Wallgren himself says about "the promise, the burden and the challenge of transformative philosophy" (ibid., p. 191). At least, excluding the most excessive rhetorics in Rorty's writing, we would claim that this transformative conception of philosophy, as at least one important notion of philosophy, is something he should agree with. As we have tried to show, *pace* Wallgren, Rorty should not and while keeping to his own standards and arguments, cannot claim that "all claims to absolute validity or universal significance are non-sensical" (Wallgren, 1996, p. 197). Where Rorty has done anything in this direction he has later regretted it and withdrawn from it (Rorty, 1998c, p. 45). There is however (perhaps) a crucial difference in attitude, or in emphasis, between Rorty and Wallgren. Wallgren is less prone to rhetorics and

perhaps continues to invest more value in one of the arguably important beacons for philosophical reflection, i.e adherence to the “the ideal of discursive accountability” (Wallgren, 1996, p. 129). Thus for Wallgren (transformative) philosophical reflection concerns

“our conceptual practices, ...how we live our lives with concepts...it is a personal quest, but it is a personal quest within the social context of lives with concepts...where we challenge ourselves and others” (ibid., p. 199).

It is a difficult project. Within this perspective there may be an indefinite number of places where it can be arranged for “philosophy and social science [to] meet” (Burrell, 1994, p. 15) but by suggestion there are no necessary structures, nor any necessary lack of structures, of either the world or human thought/language which philosophy can a priori lay bare.

The purpose of all science is arguably to criticize old and advance new arguments in ways deemed utile in order to re-weave and re-contextualize our web of beliefs (habits of action) (Rorty, 1991b, p. 101). How we do this will in complicated ways depend on our judgements and interests. It is here that Habermas’ classification of research interests are relevant<sup>58</sup>. The three interests are, respectively, the *technical*, the *practical* and the *emancipatory* (Keat and Urry, 1982, p. 222-225 )<sup>59</sup>. The emancipatory interest is for Habermas closely related to (critical) self-reflection. In general

“A critical discussion, regardless of whether it concerns the acceptance of proposals or propositions, includes a three fold use of language: the descriptive, in order to describe a state of affairs; the postulatory, in order to establish rules of procedure; and *the critical, in order to justify such decisions*. Logically these forms of speech mutually presuppose each other...[The latter involves] language transcendent approaches and attitudes in its discussion (Habermas, 1974, p. 216, cited in Keat and Urry, 1982, p. 225).

A Rortyan pragmatist does accept the critical use of language to involve discussion of attitudes but not language transcendent approaches. She/he would accept that it involves (philosophical) reflection, but not consider there to be any specifically philosophical solutions which are ontologically or epistemologically fundamental and prior to any solutions based upon broad ethical-political-pragmatical considerations in terms of the utility of different approaches<sup>60</sup>.

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<sup>58</sup> Although the “knowledge constitutive interests” are not for Habermas necessarily related to actual intentions and motives of researchers (Keat and Urry, 1982, p. 223), they are nevertheless relevant for any piece of research.

<sup>59</sup> In Habermas’ terminology the technical and the practical interests constitute empirical-analytic and interpretative modes of knowing respectively. In section 2.7 we will present arguments suggesting that the distinction between empirical-analytic and interpretative “forms of knowledge” or methodologies are not very clearcut.

<sup>60</sup> As opposed to Habermas (see Keat and Urry, 1982, p. 222), for a Rortyan pragmatist there is only one *form* of knowledge, i.e. agreement upon what sentences to endorse. Thus, e.g. also the different “types of knowledge” (Tsoukas, 1994, p. 661) in terms of “formism”, “mechanism”, “contextualism”



Habermas claims that from Rorty's thinking follows

"that anomalies that start to arise...are not seen as the result of *deficient* solutions to problems and *invalid* answers...[T]he contextualist concept of language, laden as it is with *Lebensphilosophie*, is impervious to the very force of the counterfactual, which makes itself felt in the idealizing presuppositions of communicative action" (Habermas, 1987, p. 206).

This does not seem to follow from Rorty's suggestions. Of course, a Rortyan pragmatist would be impervious to the force of, i.e. not convinced by an argument for, metaphysical or apodictic deficiency, metaphysical or apodictic invalidity and metaphysical or apodictic counterfactuals. For Rorty, the goal of science is truth, but only to the extent of settling questions on which sentences we should endorse (1998b, pp. 19-42), including those proposed by Habermas. Such endorsement will be dependent on what a community or communities regard as deficient solutions or invalid (and/or unfruitful) answers. However, in Rorty's view Habermas

"is scratching where it does not itch... [and Rorty would with many others] doubt that studies of communicative competence can do what transcendental philosophy failed to do in the way of providing "universalistic" criteria" [of justification] (Rorty, 1991m, p. 167)<sup>61</sup>.

For us, the point of Rorty's writing, as for us is the point of Wallgren's writing, is *the suggestion*, including the interesting justifications for this suggestion, that philosophy should not be viewed as capable to adjudicate between conflicting empirical claims in any privileged sense nor to dictate legitimate ways to arrive at these claims by reference to some universal epistemology or ontology. On the suggested Rortyan view at least, we should reject the idea of an a priori universal conceptual scheme which gives apodictic or indubitable or necessary truths, or the necessary absence of such truths, a priori stating conditions of the nature and possibility of knowledge and communication. Philosophy is on this view only one (potentially important) partner in the conversation of mankind and not the authority. Thus, on this view, "the place where [epistemological/metaphysical] philosophy and social science meet" (Burrell, 1994, p. 15) may not be very exciting or fruitful, and always runs the risk of being ornamental. There is however always the potential for a "meeting" with *sensere* (philosophical) reflection, with no more privileged justification than an engagement, always including an invitation to such engagement, with "how we live our lives with concepts" (Wallgren, 1996, p. 199). Perhaps such engagement is a duty.

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and "organicism" (ibid., pp. 761-770) can in the pragmatist perspective propounded in this thesis only be seen as different heuristic points of views on the pursuit of knowledge. The same goes for the distinction between "narrative knowledge" and "scientific knowledge" or the "logo-scientific mode of knowing" (Czarniawska, 1997, p. 12).

<sup>61</sup> For at least two other philosophers doubting this, see Wallgren (1996, p. 149). Rorty has nothing to say against the attempt to "point out present obstacles to 'undistorted communication'" (Rorty, 1998g, p. 309) but these obstacles do not in his view include any "esoteric matters" (ibid., p. 309). Rather they include such things as "greed, fear, ignorance, and resentment" (ibid., p. 326) and regarding such matters one should perhaps "be more dubious about the social utility of philosophy than Habermas is" (ibid., p. 326).

Our argument is thus not that we should not listen to and take arguments by philosophers seriously. Of course we should take seriously arguments by people who have thoroughly thought about different topics. We try to do this ourselves although here necessarily to a very limited extent. On the view we try to explicate, philosophy should however not serve as authoritative foundations for empirical social sciences, but rather on the suggested view merely as inspiration for alternative routes that empirical inquiry could take. The explicated view problematizes the idea that at the points where social science get messy or ethically problematic, it can turn to the help of philosophy for "solutions". It can turn to philosophy for well argued normative reflections, questionings and suggestions. However, the most unfruitful way to turn to philosophy is arguably to use philosophical arguments as "rhetorical ornaments of [critiques of ] practice" (Rorty, 1998c, p. 64).

In summary, what philosophy probably can do is to sensitize us (1998a, p.5) e.g. in the way of offering good reasons to

"stop asking questions that were formulated in earlier times" (ibid., p. 6) [and/or by finding ways] "of integrating the worldviews and the moral intuitions we inherited from our ancestors with new scientific theories or new sociopolitical institutions and theories or other novelties" (ibid., p. 5).

In short, on this view,

"philosophy makes progress not by becoming more rigorous but by becoming more imaginative" (ibid., p. 8)<sup>62</sup>.

Well argued imaginative philosophy might offer fruitful (and justified) inspiration and suggestions for studying certain empirical phenomena rather than other, formulating certain questions rather than other. For such arguments to have any relevance for empirical science, the task is to translate such imaginative philosophy into statements which can be meaningfully empirically pursued.

Kirkeby suggests that we should engage in what he calls "radical phenomenology" (2000, p. 13) or a radically normative meta-discourse (philosophy) (ibid., p. 7). According to the view proposed in our thesis one has to be clear about the (normative) role of such philosophy. Kirkeby himself seems to diverge from the view explicated in this thesis already in the beginning of his book when discussing the relation between philosophy and management. In the first chapter he argues as if philosophy could (and even had) established conditions of possibility or impossibility of certain forms of knowledge and practice. His point of view thus still seems to bear traces of what we together with Rorty reject, i.e. philosophy as an adjudicator of "questiones juris" with reference to empirical science (see Rorty, 1980, p. 392). Although we can accept many of the "postulates" Kirkeby offers in this first chapter, one of the peculiar arguments Kirkeby presents is that (the experience of) contingency would leave us

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<sup>62</sup> However, as already indicated, we agree with Wallgren that it should not *only* be imaginative. For example, Wallgren acknowledges certain merits with the understanding of "philosophy" proposed by Deleuze and Guattari. But Wallgren also at least implicitly criticizes them for their rejection of "not only argumentation, but also discussion and communication as means of philosophizing" (1996, p. 177) and the resulting "provocative arrogance and lack of differentiation" (ibid., p. 178). This implicit criticism becomes explicit a few pages later (ibid., pp. 192-193).

with the impossibility of "confidence in scientific explanation and prediction" (2000, p. 11) because of the impossibility of "the belief in History as an objective, autonomous media" (ibid., p. 11). On the view proposed in our thesis it is critical to distinguish between the problematical nature of social scientific explanations and their a priori and universal impossibility in terms of helping us cope with reality.

In order for philosophy to be relevant for example with reference to research on HRM, it arguably has at least to engage with the ("dirty") pragmatics of HRM, i.e. engage with the contingent and complex conditions in which the language game of HRM takes place. There is clearly no easy way out of HRM. As already noted, our standpoint (in this thesis) takes certain goals of the HRM practices for granted.

In studying any form of human activity we would clearly benefit from a general and proper theory of human action or agency<sup>63</sup>. The absence of such a generally agreed upon and well specified theory reflects the complexity of all social science. Actions of human beings are arguably understandable more fully only as complex and (in any a priori/universal sense) indeterminate interactions between 'systems', 'games' and humans understood as 'agents' and as 'actors' (Hollis, 1994, pp. 248-260)<sup>64</sup>. As noted earlier, in this thesis we operate largely within the causal understanding of human action (the systems perspective in Hollis' classification) without the assumption that "social structures are systems which are external and prior to actions and determine them fully" (ibid., p. 248). We might say that we suspend the judgement about whether (e.g.) any of the four ways of understanding human action is the "correct" one. In fact, we abandon the attempt to a priori settle the question as one "which might have proven to be of value but in fact did not (Rorty, 1998a, p. 45). In contrast, when discussing the complexity of the explanation/understanding of human action Hollis ends with a proposition which we, arguably with Rorty, see as unfruitful:

"[T]he proper conclusion is that epistemology has to go the long way around, visiting arguments about the historical particularity of all ways of searching into and discovering truth but then returning with renewed determination to transcendental questions of how knowledge is possible" (ibid., p. 259).

We argue that with reference to such places of fruitful meetings between philosophy and social science (Burrell, 1994, p. 15) we might just as well wait for Godot.

In the next section we will, against the background offered above, try to understand the relevance of one of the most intensive recent philosophical debates in organization science.

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<sup>63</sup> On this issue, see Willmott (1993, p. 695-701) who discuss it with reference to LPT (Labour Process Theory), an alternative to HRM theorizations of employee-employer exchanges.

<sup>64</sup> A potential alternative to all four of Hollis' perspectives (not considered by Hollis himself) is a full causal story in terms of interactions between neural networks of human beings and the rest of the universe (Rorty, 1980, pp. 387-389). This alternative, however, seems out of the question in most cases (even in any distant future), if for no other reason, simply because of the pragmatical problem of complexity.

## 2.6 INCOMMENSURABILITY

The debate on incommensurability and paradigms has lately been one of the most intense in organizations science (Clegg and Hardy, 1996, pp. 5-8)<sup>65</sup>. We will try to understand what this debate in organization science is about, in what sense incommensurability is an urgent issue for HRM research, and in fact, whether and in what sense it has to be conceived as a serious problem for organization science at large. In one exemplified understanding the core of scientific and academic rational debate is in danger. In this understanding incommensurability has serious consequences for “all those who believe in the values of debate, argument and compromise” (Burrell, 1996, p. 650). Considering the intensity of the debate, it seems important to try to understand the grounds for such conclusions. These grounds seem somewhat obscure. Burrell argues that the

“belief in incommensurability...has its origins in politics as well as in epistemology” (1996, p. 650).

It is mainly the justification for establishing Burrell’s conclusions based on epistemology that we will take issue with. To begin with, Cannella and Paetzold argue that

“organization science could be viewed as pre-paradigmatic, in the sense that no one, new paradigm has emerged as a dominant force” (1994, p. 336).

In one understanding, which can be seen as the “narrow understanding” (Hoyningen-Huené, 1993, p. 142), which is also the sense in which Kuhn has mostly used the notion of paradigm since his book “The Structure of Scientific Revolutions” (1962),

“a paradigm is simply a scientific theory with an example of a successful and striking application” (Putnam, 1974/1991, p. 127)<sup>66</sup>.

Although the question is open for debate, it is far from clear that organization science has produced any such paradigm(s). Further, social science may not only be seen as pre-paradigmatic, it may also be seen as such in the sense that it will, or even should never be anything else (Willmott, 1993, pp. 687-688). There are considerable difficulties in deciding whether social and organization science can be seen as “paradigmatic” even in the broader sense of “disciplinary matrices” (Hoyningen-Huené, 1993, p. 142). It would require detailed studies of the extent to which scientific communities in organization science share symbolic generalizations, models, values and exemplary problem solutions in the sense Kuhn arguably understands (or understood these) (Hoyningen-Huené, 1993, pp. 145-162)<sup>67</sup>.

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<sup>65</sup> Incommensurability has also been one of the most debated issues in philosophy of science. For a huge amount of references, see Hoyningen-Huené, 1993, p. 207.

<sup>66</sup> For further discussion on the understanding of paradigms in terms of exemplary problem solutions, see Hoyningen-Huené, 1993, pp. 132-140; 154-162.

<sup>67</sup> Hoyningen-Huené (1993, p. 143) notes that since 1969 Kuhn has not used the broader notion of paradigms, i.e. disciplinary matrixes.

At least against this background bold claims like “[n]o ‘solution’ will ever satisfactorily bridge the paradigms” (Clegg and Hardy, 1996, p. 8) seem to be completely question-begging. We might also argue that whether any authors in the debate on incommensurability “intended to use a [or some] Kuhnian version of ‘paradigm’” (ibid., p. 8) or not seems beside the point. The important issue might be seen to turn not so much around paradigms as around the notion of incommensurability. Also this concept is however ambiguous and has undergone change in Kuhn’s thinking (Hoyningen-Huene, 1993, pp. 206-218). In fact, e.g. in 1989 Ramberg still argued that “we do not have any clear theoretical conception of what incommensurability is” (1989, p. 115).

According to Clegg and Hardy the debate on paradigms and incommensurability is best seen as a “jostling for academic space by individuals with very different values, assumptions and agendas in a metaphorical joust” (1996, p. 7). It is partly taking place “*between the rebels*” where

“The issue is not one of epistemology..., it is one of politics. Those defending incommensurability believe it to be the best way to protect alternative approaches from the continuing onslaught of mainstream approaches...; while many of those who attack it believe it to be counterproductive in such a defence” (Clegg and Hardy, 1996, p. 6).

In this characterization the debate thus seems to be reduced to politics. The question is whether protection from the “onslaught of mainstream approaches” can justifiably be achieved either in terms of a defence or rejection of incommensurability. Epistemically speaking, we will answer “no” on both questions. The notion of incommensurability might have been used in a strategic-political sense. The extent to which its use is based on obscure or unjustified grounds arguably has consequences for the success of the strategy, at least in the long run.

Clegg and Hardy argue that the debate on incommensurability could largely be left behind because it is

“in the struggle between different approaches that we learn..., and from the diversity and ambiguity of meaning; not through the recitation of a presumed uniformity, consensus, and utility, given a way that requires unquestioning acceptance” (ibid., p. 8).

From the point of view of epistemological/ontological arguments that have been offered in the debate, this seems to beg the question with reference to claims that incommensurability makes meaningful (rational) communication between paradigms impossible. It begs the question with reference to arguments that incommensurability (in social science) has serious consequences for “all those who believe in the values of debate, argument and compromise” (Burrell, 1996, p. 650).

In addition, in some opposition to Clegg and Hardy’s argument above concerning how we learn, Kuhn argues that

“though the ability to recognize trouble when confronted with it is surely a requisite for scientific advance, trouble must not be too easily recognized. The scientist requires a thoroughgoing commitment to the tradition with which, if he is fully successful, he will break. In part this commitment is demanded by the nature of the problems the scientist normally undertakes...[T]heory gives meaning to most of the problems of normal

research. To doubt it is often to doubt that the complex technical puzzles which constitute normal research have any solutions at all”(Kuhn, 1991, p. 145).

In organization science almost any such commitment is not only faced with the problem of taking a theory seriously and trying to solve puzzles in terms of working out the consequences of it. Researchers are almost always also faced with the need and challenge to develop available incomplete theorizations. Nevertheless, it should interest researchers whether the choice of commitments should be seen as “irrational” and without even the possibility of more widely shared justification. Particular researcher’s initial choices between paradigms can most often probably be characterized as incorporating limited justification. However, the question is how we should react to Kuhn’s argument that there are “both necessary and irreconcilable” differences (Kuhn, 191, p. 153)<sup>68</sup> between paradigms in terms of

“substantive differences...[related to] the population of the universe and...that population’s behavior...[as well as] methods, problem-field, and standards of solutions accepted by any mature scientific community at any given point in time” (ibid., p. 154).

Differences are one issue. Incommensurabilities are another issue. Mature scientific communities and “both necessary and irreconcilable” differences are yet other issues. Despite acknowledging differences and even some incommensurabilities we shall try to explicate views according to which there is no good a priori epistemological reason to accept *necessary* and *irreconcilable* differences and thus to give up either the meaningfulness of or the need for communication between paradigms (or schools of thought).

We defend a view according to which there is no a priori solution to the debate “through the use of sophisticated philosophical and linguistic discourse” (ibid., p. 5). Nor is it, we argue, epistemologically or metaphysically justified to maintain “a hard line on any bridge between the paradigms” (ibid., p. 5). Finally, neither is it possible to justify a definite defense of normal science opposing alternative approaches (ibid., p. 5). Our conclusion will be that the debate should take more concrete forms to the extent it continues.

Burrell and Morgan’s (1979) matrix of paradigms, which has been at the center of many of the debates on incommensurability in organization science, involve two dimensions of potential meta-level incommensurability, one is more clearly metaphysical, the other is more clearly normative (Figure 1). We will begin to consider these meta-level aspects in the light of the Rortyan views presented above<sup>69</sup>.

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<sup>68</sup> The ‘necessary’ and ‘irreconcilable’ here are merely definitional with reference to the notion of paradigms.

<sup>69</sup> Scherer and Steinmann (1999, p. 524) distinguish between a meta-meta-level (“paradigm wars”), a meta-level (pluralism of paradigms”), and a substantive level (“pluralism of theories”) of organization studies. We find that the debates about incommensurability are best understood as taking place either at a meta-level or a substantive level. “Paradigms wars” and “pluralism of paradigms” (a problem of incommensurability or no problem of incommensurability) are in our interpretation different points of

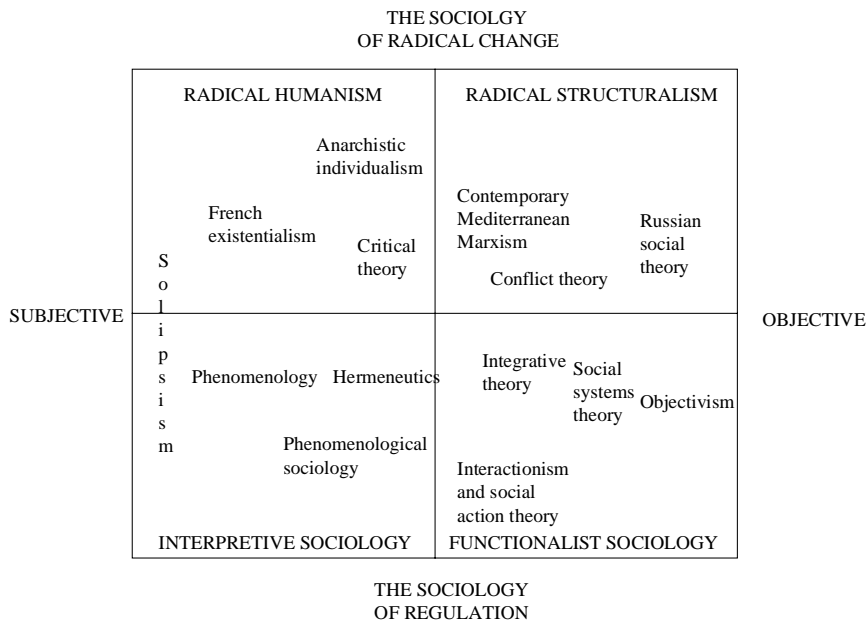


Figure 1: The four sociological paradigms (Burrell and Morgan, 1982, p. 29)

2.6.1 Meta-level incommensurability

A potential metalevel incommensurability within organization science is related to the (metaphysical) *subjectivism-objectivism dimension* in Burrell and Morgan (1979/1982). Carter and Jackson argue that

“to abandon incommensurability on the [subjectivism-objectivism] dimension means that researchers must *simultaneously* believe, e.g. that the world is objectively real (realist) and socially constructed (nominalist), that knowledge is both positivist and ‘anti-positivist’ in nature, that people are both determined and possessed of free will and that knowledge is gained from both measured law-like relationships (nomothetic) and from narratives of unique experience (idiographic)”. [They further argue that ] “to render these distinctions meaningless or insignificant requires that not just median positions but also extreme ones on the continuum must be reconciled or reconcilable” (1993, p. 723).

Rorty argues exactly for rendering (theories incorporating) these distinctions, in a priori and universal forms, insignificant or unfruitful (but note, neither “meaningless” nor necessarily reconcilable). Weaver and Gioia refer to a more general list of “common divisions affecting organizational inquiry” (1994, p. 567). This list includes causation versus meaning; determinism versus voluntarism; object versus subject;

views at the meta-level. Similar debates take place with reference to theories at a more substantive level.

structure versus agency; structural functionalism versus interpretation; and holism versus individualism. In Rorty's perspective the relevance of these phenomena are simply up for debate with reference to the advantages for human purposes (utility), specific research questions and perceived familiarity (prior knowledge) with the phenomena in question. At the bottom on this dimension thus lies the possibility and need for a loosely hermeneutical debate based upon different attempts to understand organizational phenomena<sup>70</sup>.

Kuhn argues that through paradigm shifts some problems become irrelevant to solve (Kuhn, 1991, pp. 154-156). In this sense, a Rortyan pragmatism could be understood as an attempt to suggest a paradigm shift with reference to a set of metaphysical problems which at a meta-level have been perceived to be essential to solve and which different earlier schools of thought have attempted to use as *a priori*, universal and exclusive categories.

Regarding the (ideological) *regulation-radical change dimension* in Burrell and Morgan (1979), there are likely to be both differences and "incommensurabilities" with reference to basic moral attitudes. Most ideological "paradigms" would claim to strive for the most desirable kind of (societal) organization. It is clear that 'desirable' here means different things or refers to different phenomena. Incommensurabilities on this axis exist between two or more primarily politically/ideologically influenced paradigms (not two or more clearly *mensurable* paradigms as in some cases in natural science) reflecting desired means and goals. They incorporate different assumptions about what is just, or best e.g. for mankind or the ecosystem. None of these "paradigms" rests on empirically well corroborated knowledge as to their general long run advantage for any identified constituencies. Further, there are hardly any generally and widely accepted justifications for well specified explanatory mechanisms related to desired outcomes identified *within* any paradigms even concerning regulation, not to mention radical change. Only more or less unjustified beliefs in the outcomes of certain ways of organizing and the adequacy or fruitfulness of related explanatory frameworks thus prevail even within any of the paradigms<sup>71</sup>. Only in a very loose way which would need considerable elaboration do different views on these matters turn on *shared and accepted* symbolic generalizations, models, and exemplary problem solutions (Hoyningen-Huene, 1993, pp.132-162). Within any "paradigm" in the social sciences, including organization science, many of these elements tend to involve severe problems acknowledged within the paradigms. There is thus a fair way to go even before there is any reason to start to discuss incommensurabilities other than at the level of general values. "Incommensurability" at this axis thus largely exists at the level of "proponent's attitudes" (Weaver and Gioia, 1994, p. 571). But calling them incommensurable with the conclusion that there is no room for meaningful debate, seems to confuse the issues. On such matters as regulation versus (radical) change, i.e. general values and attitudes, there is the potential for agreement to the degree that there is fruitful dialogue (Weaver and Gioia, 1994, p. 571; Willmott, 1993, pp. 668-

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<sup>70</sup> Somewhat analogous conclusions are argued for by Weaver and Gioia with the help of structuration theory (1994, pp. 582–584).

<sup>71</sup> Someone might say that the question does not concern outcomes. But then one harks back to a problematical and hardly defensible fundamental and *a priori* distinction between fact and value.



669). The (un)fruitfulness of this dialogue is partly dependent on the complexity of the general issues of societal organization and our lack of knowledge about the consequences of alternative solutions. But there seem to be few attractive alternatives to continued inter-paradigmatic debate on this dimension of "paradigms".

Within the general epistemological and ontological understanding the contours of which have been drawn above, organizational researchers may thus (fruitfully) disagree (normatively) as to the most important kind of explanations, methods, and standards of solutions with reference to any specific phenomenon. They may thus disagree as to the ultimate purposefulness of different processes and explanations and there seem to be no a priori way of settling disputes on these issues. But there is nothing in principle which hinders a hermeneutical discourse between paradigms. Arguably nothing more or less follows from incommensurability at this metalevel.

As already indicated there are however potential incommensurabilities on other dimensions than the ones at this meta-level. Excluding philosophical ornamentations and complex normative assumptions, we may confront the problem of incommensurability at the level of substantive theory. We will consider some such potential incommensurabilities in organization science and what our attitude towards them could be. Ultimately, we will argue that the "problem" of incommensurability at this substantive level in current organization science is not yet even an issue. However, before turning to the question of theoretical level incommensurabilities in organization science, we will consider the notion of incommensurability in some more detail.

## 2.6.2 What is incommensurability after all?

McKinley and Mone define

"incommensurability as occurring when there are logically or normatively incompatible schools of thought" (1998, p. 170).

There would be *logical inconsistency* only to the extent that theories would claim to *completely* explain their subject matter *and* that this subject matter would be identical. This way of fixing the problem seem however to involve a questionable understanding of the problem of incommensurability<sup>72</sup>. Even the difference between Newtonian assertions that "Mass is invariant" and Einsteinian assertions that "Mass is not invariant" does not necessarily entail logical contradictions (Weaver and Gioia, 1994, p. 571). Another questionable use of the concept of incommensurability seems to be with reference to the general fragmentation of organization science (Scherer, 1998, p. 153). As long as theories and paradigms deal with distinguishable phenomena there is not really a problem of incommensurability.

In the classical example of Newton versus Einstein, the term 'mass' arguably means different things in Newton's and Einstein's theories<sup>73</sup>. Any apparent "logical

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<sup>72</sup> Weaver and Gioia also criticize Burrells claim that "different paradigms should be counted contradictory" (1994, p. 571).

<sup>73</sup> Examples of successive relatively mature incommensurable paradigms and theories often come either in the form of a comparison of Newtonian mechanics versus Einsteinian relativity theory (Kuhn,

contradiction” could be removed by naming the two concepts differently. The problem is that there seem to be no unproblematic way in which we can say that (1) Newton’s theory’s claim that “mass is invariant” is false (and contradictory to Einstein’s claim that “mass is not invariant”). Rather we seem forced to say that (2) Newton’s theory’s claim that “mass is invariant” is true from the perspective of Newtonian theory, but we do not, from the perspective of Einstein’s theory, think there fundamentally are any such entities.

The incommensurability is due to the fact that we cannot unambiguously say that Einstein’s theory explained false propositions entailed by Newton’s theory. In believing in Einstein’s theory we have simply changed our conception of “what there is in heaven and earth”. There is no neutral language in which to compare the theories strictly. Neither is Newton’s theory reducible to Einstein’s theory without changing the former (Kuhn, 1991, p. 153). This is one concrete example of the problem of incommensurability at the level of substantive competing theories. This is the *subtle* problem of not being able to maintain an understanding of science as making unambiguous cumulative progress in terms of increasing our knowledge of the universe while explaining the falsities of earlier or competing theories by substituting better explanations of the *same* phenomena.

The whole point of the incommensurability thesis seem to be that the differences between theories are not simply logical contradictions. If there were (only) logical contradictions, we could still try to pursue logical analysis and empirical tests to judge which theory is more adequate. “Incommensurability entails irreducibility but not incompatibility” (Rorty, 1980, p. 388) where incompatibility refers to logical inconsistency (Bernstein, 1991, p. 125-126). Although incommensurability does not entail incompatibility, incommensurable theories can nevertheless arguably involve incompatibilities (Hoyningen-Huene, 1993, p. 219). Incommensurability becomes a problem when two or more theories offer different irreducible (mutually redundant) explanations of an empirically indistinguishable phenomenon, or of “roughly the same object domain” (Hoyningen-Huene, 1993, p. 219). The problem of incommensurability is

“the problem of how to compare competing or successive theories. Very roughly the old philosophy of science suggests that we do so by making logical or evidential comparisons in a vocabulary shared by both theories. The new philosophy of science contends that although there may be terms shared by different theories, the concepts marked by these terms (in important and typical cases) will have changed so radically in the move from one theory to another as to preclude the use of ordinary logical or evidential tools” (Fine, 1975, p. 18).

An example of such changes of concepts with reference to shared terms in the social sciences would arguably be Parsonian and Marxist definitions of ‘structure’ (Weaver and Gioia, 1994, p. 317)<sup>74</sup>. The problem of the insufficiency of “ordinary logical or

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1991, p. 153) or between Newtonian mechanics and quantum mechanics (Fine, 1975, pp. 29-30). There are also examples from other fields, such as chemistry (Fine, 1975, pp. 20-24).

<sup>74</sup> However, less than a problem of incommensurability, the problem with concepts in the social sciences seems to be the “equivocal nature of the linguistic symbols in use” (Weaver and Gioia, 1994,

evidential tools” can also arise where two competing theories use more or less completely different terms related to empirically indistinguishable phenomena, e.g. Aristoteles talk about natural downward motion and our Newtonian talk about gravitation.

“Was Aristoteles wrong about motion being divided into natural and forced? Or was he talking about something different from what we talk about when we talk about motion? Did Newton give right answers to questions which Aristoteles had given wrong answers? Or were they asking different questions?...Why, after all, should we think that there is a more interesting answer to these questions than to the question of whether the ship of Theseus endured the change of each of its planks? Why should we think that the question “What did they mean?” or “What were they referring to?” is going to have a determinate answer? Why should it not be answerable in either way, depending on what heuristic considerations are relevant to some particular historiographical purpose. The reason we think that there should be determinate answers here is...that we think that the history of the pursuit of truth should [in a specific objective truth functional sense] be different from the history of poetry or politics or clothes. (Rorty, 1980, p. 267-268).

One way to understand the debate about incommensurability is to understand it by way of some subtle philosophical arguments mainly in philosophy of language. One could argue that what has given fire to the issue of incommensurability are two issues in philosophy of language, namely Quine’s critique of the “two dogmas of empiricism” (Quine, 1951)<sup>75</sup>. Because it seems important for understanding the rhetorical slants which the debate on incommensurability has taken e.g. in organization science, we cite the following lengthy passage from Rorty.

“The first dogma enshrined what Quine called “essentialism” – the notion that one could distinguish between what people were talking about and what they were saying about it by discovering the essence of the object being discussed. In its linguistic form, this was the doctrine that one could discover which term in our language translated a term in that of the ancient [or competing] scientists, and then discover the essence of the referent of both terms by distinguishing between the analytic statements which told one the term’s [universally and a priori true] meaning and the synthetic statements which expressed possibly false beliefs about this referent. The second dogma held that such translation *could* always be found, and that such analytic statements *could* always be formulated, because to determine the meaning of any referring expression one need only discover which reports in a “neutral observation language” would confirm, and which would disconfirm, a statement asserting the existence of the referent in question. [The critique of these dogmas questioned] the conviction that science differed from softer discourse in having “objective reference” to things “out there”... – the ability to use contact with the real as the touchstone of truth. The horror which greeted Quine’s overthrow of the dogmas, and Kuhn’s and Feyerabend’s examples of the “theory ladenness” of observation, was a result of the fear that there might be no such touchstone. For if we once admitted that Newton was better than Aristotle

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p. 571). This leads to problems in determining cases of interesting incommensurability. We will return to this issue below.

<sup>75</sup> On the significance of Quine’s writings, see Hoyningen-Huene, 1993, p. 213.

not because his words better corresponded to reality but simply because Newton made us better able to cope, [it was felt that] there would be nothing to distinguish science from religion or politics”(Rorty, 1980, p. 268-269).

In other words, the “problem” with incommensurability has thus fundamentally been conceived as that

“if we grant the philosopher-historians their point about radical conceptual change [or simply radical conceptual differences], then the process of scientific development seems to degenerate into a series of puns, into arguments all committing fallacies of ambiguity and into choices none of which are rationally founded” (Fine, 1975, p. 18).

However, going from the negative arguments related to some received understandings about how philosophy of language could help us out with epistemological problems to conclusions about the impossibility of meaningful debate and the whole idea of rational academic debate (Burrell, 1996, p. 650) still seems but a rhetorical manouver.

Also Fine describes the problem of incommensurability as largely a problem depending on how we understand the meaning and/or reference of terms<sup>76</sup>. However, Fine discusses some theories of meaning and reference and argues that no attempts, based upon these theories, to argue for an unbridgable incommensurability nor attempts to argue for the inexistence of any such incommensurability problem are satisfactory.

In line with Rorty (above), Fine suggests that we accept certain cases as incommensurable in the sense of

“genuine cases of indeterminacy with regard to sameness or difference of reference (1975, pp. 27-28)...[because] in the situations of interest, whenever a case can be made for sameness of reference, an equally good case can be made for difference of reference” (ibid., p. 27, italics added).

However, Fine also suggests that

“[t]o compare theories, let us suppose that the worlds of the theories overlap in such a way that there is a correlation between the terms of the theories that makes correlated terms co-referential in each world of the region of overlap” (ibid., p. 28). [He acknowledges that] my general prescription for how to relate theories contains the supposition of overlapping worlds with co-referential correlation of terms. If this supposition fails, then we cannot compare theories at all” (ibid., p. 30)<sup>77</sup>.

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<sup>76</sup> For an interpretation of the movement towards this understanding of the problem of incommensurability in Kuhn's writings, see Hoyningen-Huené, 1993, pp. 206-218. In a foreword to this book, Hoyningen-Huené's interpretation of Kuhn's thinking is warmly recommended by Kuhn himself.

<sup>77</sup> We can ignore Fine's apparent (at the time this article of his was written) realist assumptions (ibid., p. 29). Nothing seems to hang on them. For further elaboration on the possibilities of comparison of incommensurable theories, see Hoyningen-Huené (1993, pp. 218-222) and the discussion in Ramberg (1989, pp. 115-118).

However, in the latter cases with no understanding of co-referential correlation of terms, there may be no real urge *at the theoretical level* to compare theories in order to make a decision as to the adequacy of one *or* the other of them. In any case,

“[p]roducing commensurability by finding material equivalences between sentences drawn from different language-games is only one technique among others for coping with our fellow humans. When it does not work, we fall back on whatever does work – for example getting the hang of a new language-game, and possibly forgetting our old one. This is the same technique we use when non-human nature shows itself recalcitrant to being predicted in the vocabulary of traditional science” (Rorty, 1980, p. 356).

In social science we are most often faced with the question of “getting the hang of” different developing language-games. The “problem of incommensurability” in social science is most often the problem of what broad language games we should employ. These are complex ethical-political-pragmatical questions. As already argued, on these matters there can only be the hope for potential agreement to the extent that there is fruitful dialogue. There is no panacea and there likewise seems to be nothing interesting to provide as justification for the *impossibility* of meaningful rational dialogue concerning such issues. It is only if we restrict rational to ‘logically deducible to a decisive neutral observation language’ that we are faced with such an impossibility. Arguably we should resist such an understanding of rationality.

“Kuhn...(and others) have not shown that science is *irrational*, but rather that something is fundamentally wrong with the idea that commensurability is the essence of scientific rationality (Bernstein, 1983, p. 86, cited in Ramberg, 1989, p. 126).

Rorty describes the issue of incommensurability in analagous but somewhat more general terms compared to those of Fine. By ‘commensurable’ Rorty means

“able to be brought under a set of rules which will tell us how rational agreement can be reached on what would settle the issue on every point where statements seem to conflict...Note that this sense of “commensurable” is not the same as “assigning the same meaning to terms”. This sense – which is the one often used in discussing Kuhn – does not seem to me a useful one, given the fragility of the notion “sameness of meaning”. To say that parties to a controversy “use terms in different ways” seems to me an unenlightening way of describing the fact that they cannot find a way of agreeing on what would settle the issue” (Rorty, 1980, p. 316)<sup>78</sup>.

Incommensurability in this sense is surely common but it does not mean that we have to exclude the possibility of meaningful or even rational communication on such issues. The particular goal of this description of the problem is that incommensurable for Rorty is not to be understood as the same thing as untranslatable (*ibid.*, p. 302). The distinction is important for Rorty because he accepts Davidson’s argument that we cannot really give any sense to the very idea of an alternative exclusive but *untranslatable* conceptual scheme (Davidson, 1984?).

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<sup>78</sup> For a classical analysis of the fragility of sameness of meaning, see Quine, 1951.

In arguing for and explicating the problem of incommensurability Kuhn seems in his later writings to have had an explicit local, narrow, technical notion of translation (and intranslatability) in mind (Hoyningen-Huené, 1993, pp. 215-218). This notion of incommensurability and Davidson's argument (above) do not represent incompatible points of views.

First, for a crucial distinction between two notions of translation, that of a narrow technical and that of a more ordinary notion involving an interpretative moment, see Hoyningen-Huené (1993, p. 215-216)<sup>79</sup>. In the narrow sense of translation there is arguably often an impossibility of translation. However, such impossibility already hits the idea of scientific rationality as commensuration, i.e. of employing essentially only a logical apparatus and a neutral observation language in evaluations of theories.

Second, Davidson's notion of translation employing the principle of charity is not to be confounded with either of the above notions of translation. Davidson's notion of translation is rather to be understood as "a *condition of possibility* of translation" (Ramberg, 1989, p. 74). Davidson employs the principle of charity, much debated in philosophy of language, and it is based upon the claim that because in interpreting a use of language we cannot strictly "infer the belief without knowing the meaning [of a sentence] and have no chance of inferring the meaning without the belief" (Davidson, 1974, p. 142, cited in Evnine, 1991, p. 102). Davidson's notion of radical interpretation including the principle of charity is intended to solve this problem of interdependency. The principle of charity incorporates the idea that "in radical interpretation we must assume that the objects of interpretation, by and large, believe what we think is true [or obvious]" (Evnine, 1991, p. 103). On Davidson's view interpretative translation is not something which makes science irrational or communication impossible. In fact, quite the opposite, interpretative translation is what makes communication possible.

Davidson's and Rorty's perspective would also seem to entail that we cannot really give any sense to the very idea of *uncomparable* mutually exclusive alternative theories. This is congruent with what Hoyningen-Huené says about the comparison of incommensurable theories (1993, pp. 218-222). There may however be no unambiguous way to compare/translate theories where they seem to conflict. Translation in the ordinary interpretative sense

"requires compromises...in addition to changes in the target language, whether by addition of new concepts or by the more subtle alteration of previously available concepts for purposes of translation (Hoyningen-Huené, 1993, p. 216).

But such problems would not seem to be uncommon even with reference to agreeing on adequate theory-construction within any paradigm.

The above discussion could be summarized by Ramberg's argumentation:

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<sup>79</sup> The technical narrow notion of translation can from a Davidsonian point of view only be understood as an idealized limiting case of more interpretative translation.

"[w]e rely on conventions to understand and make ourselves understood. Incommensurability, as a communication breakdown, can be understood as a breakdown of linguistic conventions, caused by changes [or differences] in use that are too abrupt to be absorbed smoothly, or changes [or differences] that a particular set of conventions are too rigid to accommodate. Semantically, then, incommensurability is a disruption in the ongoing interpretation-through-application of our linguistic conventions...we do not have to construe this breakdown of conventions as implying intranslatability...Incommensurability in discourse leaves us in a situation where we can no longer rely on our language, the set of conventions whereby we normally effect understanding, to secure linguistic communication. But this does not imply that communication is not possible, only that *interpretation*, rather than reliance on convention, is required to a greater degree than is usual...Incommensurability in discourse can only begin to occur once we *think* we have begun to agree on linguistic convention, but in actuality remain confused as to what language we are [or should be] using (Ramberg, 1989, pp. 130-132).

Whether we want to understand incommensurability as semantical problems or more broadly as problems related to rules of procedures seems somewhat mute. Rorty's way of putting the problem of incommensurability, i.e. in terms of ways "of agreeing on what would settle the issue", is congruent with his understanding of the limited domain of purely semantical theories. In any case, translation and interpretation has to focus not only upon theoretical terms but also upon criteria for evaluating claims to knowledge and other standards of research and worldviews, including those described by Kuhn as characterizing paradigms.

"[J]ust as the principle of charity has no implications about the similarities or dissimilarities of respective world views, so the ineliminable possibility of translation is no guarantee that we share criteria of truth or have a common core of empirical knowledge or that our languages enable us to refer to some fundamental common set of referents...The point can be put thus: while there is nothing that can be said in one language that must remain ineffable [or intranslatable] in another, this is neither because of a happy conjunction of the sorts of things we say, nor because of a putative necessary similarity of logical structure between all possible languages. It is only because of *what it is* [on Davidson's view] to say something" (Ramberg, 1989, pp. 124-125).

We may thus disagree on how to and there is arguably no unambiguous objective way either to translate or to compare theories where they seem to conflict. This is the non-removable consequence of the problem of incommensurability. These consequences are devastating with reference to communication, rationality and science only if we view the latter phenomena as completely dependent on translation in the "narrow technical sense" (Hoyningen-Huene, 1993, p. 216).

Before any interesting cases of incommensurability at the level of substantive theory even arise we would need to have theories which in mutually redundant ways explain "roughly the same object domain" (Hoyningen-Huene, 1993, p. 219). We would have to be able to form an understanding of the theories such that "the worlds of the theories overlap in such a way that there is a correlation between the terms of the theories that makes correlated terms co-referential in each world of the region of overlap" (Fine, 1975, p. 28). Such correlations may be only partially possible to establish (Hoyningen-Huene, 1993, p. 220). Ultimately a juxtaposition of theories

"must have a holistic character...[b]ut the fact that such holistic comparison is difficult and, in some situations in theory development, without unequivocal result, surely doesn't entail that it's *impossible*...or that the completion of a theory choice always occurs with the help of propagandistic means and isn't swayed by the merits of argument" (ibid., p. 221).

With this understanding of the context and nature of incommensurability at the level of substantive theory we now turn to reflections on the existence of such problems in organization science.

### 2.6.3 Theoretical level incommensurability in organization science

Theories may contain universal statements which would make them conflict with other theories which also may contain universal statements. But universal statements about relationships between phenomena only constitute one aspect of (certain) theories. Another aspect is their explanatory power. In organization science we seem to be far from clear on any theory's actual explanatory power. In particular we seem to have good reason to believe that no theory proposed in organization science has explained its subject matter to one hundred percent. In fact, we will argue that strictly speaking we do not (yet) have any *cases of interest* where we would have to try to compare any two theories and try to make a choice as to the adequacy of one *or* the other of them. We are however always faced with the problem of which theory or theories we should view ourselves as morally compelled to pursue. But apart from the fact that ethical choices cannot be brought under any given algorithm determining the correct choice, we will thus argue that there seem not (yet) to be any problem at all in organization science of theoretical level incommensurability.

McKinley and Mone only discuss more or less "mainstream" theories such as population ecology, neo-institutional, transaction costs, agency, structural contingency and resource dependence theory. They claim that

"[m]any of the propositions put forward by these different schools are logically inconsistent" (1998, p. 170).

At a superficial level this may be so. Nevertheless, we would argue that there is no interesting logical contradiction involved here and their examples (ibid., pp. 173-174) do not imply that there is.

The above organizational theories seem to be empirical theories suggesting some but not complete explanatory power, each in their own way, in relation to relatively unspecified phenomena. Before there would seem to be any interesting and problematical question of either incompatibility and/or incommensurability we should try to determine the factual relative explanatory power of these theories where they (under some interpretation) seem to explain empirically indistinguishable phenomena in contradictory ways. Such tests should be done in the same contexts on the basis of temporally and spatially more or less equivalent data as far as possible using "controlling" explanatory variables from the potentially incommensurable alternative theories.

As McKinley and Mone acknowledge, the primary problem lies in the specificity of these theories, i.e. in their status as scientific theories. The serious problem is



theoretical and specifically construct ambiguity (ibid., p. 175). This seems to imply that it is difficult to seriously begin to discuss whether the theories are incompatible and “necessarily and irreconcilably” different and thus whether there is a *problem* of incommensurability. In other words, in organization science the important issue does not yet seem to be the problem of having no ways of bringing problems about the relation between different theories “under a set of rules which will tell us how rational agreement can be reached on what would settle the issue on every point where statements seem to conflict” (Rorty, 1980, p. 316). We simply do not yet seem to have examples of well specified theories (not to mention wider agreement on empirical evidence for such theories) argued to offer *mutually redundant* explanations of “roughly the same object domains” *under any interesting and largely agreed upon descriptions*. Thus, the most urgent issues seem to relate to the achievement of (temporary) agreement concerning empirical evidence for any more specific and unambiguous theory *even within* any school of thought/paradigm.

McKinley and Mone’s suggestion for solving the state of affairs in terms of theoretical (construct) ambiguity is less convincing than their acknowledgement of the problem. They talk about a “democratic creation of a construct dictionary” (1998, p. 176). They end up by suggesting a parallel to the financial Accounting Standards Board (FASB)

“charged with specifying the standards that underlie generally accepted practice” (ibid., p. 178).

The problem would seem to be that construct specifications, standardizations and operationalizations are *dependent on theory*. We can hardly foresee a “board” developing or deciding upon all the theories in organization science. When McKinley and Mone envision “a theory neutral observation language” (ibid., p. 180), they seem to hark back some years in the history of thinking of knowledge. Nevertheless, it is evident that organization science would be in need of developing constructs and operationalizations together with theory. The loosely defined theories and constructs may not take the field very far but “often play to the career ambitions of individual scholars” (ibid., p. 178). Astley and Zammuto argued that

“[a]mbiguous constructs expand the variety of operationalizations that may be included within the theory’s encompassing frame of reference and so increase the number of research studies that can be constructed as tests of the theory ... The extent to which the theory can be used as a point of departure in the work of others is a crucial determinant of its impact within the field ... At the same time ... linguistic ambiguity ... also reduces the chances that [empirical] tests can amount to a refutation of the theory” (1992, p. 446).

Thus, the serious problem seems to be the very issue of theory construction. For an example of how far away from specified coherent theories we are, see the discussion on institutionalization theory in Tolbert and Zucker (1996, pp. 173-190). A second example is the discussion on the resource-based view (Priem and Butler, 2001a; Barney, 2001; Priem and Butler, 2001b) and, indeed our own discussion of the resource-based view in this thesis<sup>80</sup>. Other examples of discussions concerning

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<sup>80</sup> Priem and Butler make a clear distinction between the theoretical construct level and the testable operational level (2001b, p. 61). We would argue that there is no such clear demarcation and that the

(potentially solvable) internal logical problems of theories in organization science are (Bruggeman, 1997; Peli and Masuch, 1997; Masuch and Huang, 1996).

With reference to the many problems of organizational theories and organizational research the line mentioned by March and Sutton between those are

“more concerned with attention to standards of research and inference...[and those] who tell stories about the things that affect organizational performance...[and who are] ordinarily quite disconnected from serious research on organizations” (1997, p. 703)

is indeed not all that clear. Research on HRM is involved in this problematic deep down to its neck regarding both theory development as well as the development of constructs and operationalizations of independent, dependent and control variables.

#### 2.6.4 Summary of discussion on incommensurability

The whole debate on incommensurability in organizational science seems to be a case of wrongly adopting a certain discussion which (may) have been more upsetting for the natural sciences than for anything else. It just never seems to have been a (serious) issue for the social sciences in general whether there exists an algorithm or a neutral observation language which could decide between well functioning mutually *redundant* competing theories postulating different entities between heaven and earth. In fact, one might argue that it has really only been an issue among traditional philosophers of science and thus not even within the natural sciences per se<sup>81</sup>. However, there has always been many different schools of thought in the social sciences, and more all the time. What seems to have happened is that scholars have simply translated the term ‘different’ into ‘a problem of incommensurability’ and drawn the conclusion that in cases of difference there is no room for rational debate. This seems absurd, to say the least.

According to Rorty Kuhn only said that

“reflection of [theories, methods, standards etc] into meta-discourse [evaluating theories from different paradigms] makes it harder to resolve controversies about paradigm shifts than it is to resolve controversies within normal science...Kuhn says that the criteria of choice between theories (even within normal science, where hermeneutic problems may not yet arise) ‘function not as rules, which determine choice, but as values, which influence it’...The only real issue which separates Kuhn from his

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testability and falsifiability of a theory is related to the extent of specification of operationalizations. To the extent that the latter are not specified, it allows room for endless ad hoc changes in "the theory". The prevalent lack of operational definitions concerning elements of organizational theories, we argue, is one of the greatest problems of organization science as a science.

<sup>81</sup> Natural scientists usually choose and develop theories which best allow them to *do* something, which makes them (and by suggestion others) better able to *cope* with some part of reality. Usually they do not worry too much about commensurability but rather arguably go about it much in the way suggested by Hoyningen-Huene (1993, pp. 219-221).

critics is whether...we can find a range of specifically *scientific* values which should affect such choice" Rorty, 1980, p. 327)<sup>82</sup>.

We have already (above) discussed Rorty's understanding of the general nature of these values/rules. We should not expect, at least on Rorty's suggestion, that there would be anything *a priori* and *in principle* which makes decisions on these values, norms and rules absolutely different from political decisions. However, this does not necessarily make any "deliberative" processes about such values and thus ultimately about choices between different theories "irrational".

The irony is that serious consequences of incommensurability are put forward also by organizational scholars who oppose the (logical) positivist ideals, including the idea of a neutral observation language or some kind of algorithm for making theory choices. In order to talk meaningfully and interestingly about commensurability or (in particular about a problematical) incommensurability we would in the background have to have the importance of some notion of a neutral observation language and a logical reducibility of all competing theories to one another.

For the social sciences the upshot of our discussion would seem to be that we have to admit relative unfamiliarity with our objects of research as a whole when theories are stripped of (often rhetorical) unnatural attitudes (Fine, 1984), i.e. their connections to universal *a priori* epistemologies, ontologies and methodologies. When such "disciplinary frameworks" are stripped away, it is somewhat unclear just how much norms of justification vary between different schools of thought. The debate on incommensurability would gain considerable momentum to the extent that someone could identify an interesting concrete example of substantive theoretical level incommensurability in the social sciences. Less than facing any devastating "problem" of incommensurability in the social sciences, we argue, researchers seem only to have lots of work to do, combining different conceptualizations and methodologies in ways deemed justifiable in order to build, test and criticize theories and hypotheses.

However, to adhere to a multiparadigm or pluralist strategy, on the other hand, can be simply naive. Sherer and Steinmann argue that

"[a] multiparadigm or pluralist strategy...[also has] serious questions yet to be resolved...[M]ultiparadigm adherents...confuse a mere pluralism of different perspectives, where...co-existence is sometimes reasonable, with a situation of serious conflict, where...co-existence is not possible...incommensurability is a situation of conflict between different value positions" (ibid., p. 523)<sup>83</sup>.

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<sup>82</sup> Kuhn's equivocal exaggerations that people from different paradigms "live in different worlds" can arguably be left to their own worth as unfortunate "incidental remarks" (Rorty, 1980, p. 324-325).

<sup>83</sup> Again, these authors should arguably have said that incommensurability is a situation of logically and evidentially irreconcilable difference because of the lack of a given shared vocabulary or given shared rules of procedure, rather than necessarily a situation of "serious conflict" or impossible co-existence. As outlined above we do however agree that "serious conflicts" most often are due to "different value positions". These, again, are arguably most often due to the complexity and causal

We agree with the unresolved issues of a pluralist epistemic strategy. However, in principle our position is close to the irreductionist/pluralist position. The difference is that we would not make such a strong a priori claim about the world of organizations as irreductionists do if they would really argue that any *roughly same object domain* of “the world of organizations cannot in principle be captured by a single perspective” (Kaghan and Phillips, 1998, p. 205). If we only stick to the claim in the citation, it seems to be trivial, i.e. the explanation of different processes and outcomes in organizations require different theories/explanations. We do however agree with the standpoint that

“[t]hough irreductionists have no final solution for paradigmatic pluralism in organization studies...they do have a recommendation for how researchers can behave in the face of paradigmatic pluralism...[it is that] tolerance, respect and constructive debate are encountered” (ibid., p. 205).

Rorty’s hermeneutics amounts to the same attitude.

“For epistemology, to be rational is to find the proper set of terms into which all the contributions should be translated if agreement is to become possible...For hermeneuticists to be rational is to be willing to...pick up the jargon of the interlocutor rather than [immediately] translating it into ones own[<sup>84</sup>]....Hermeneutics sees the relations between various discourses as those of strands in a possible conversation, a conversation which presupposes no disciplinary matrix which unites the speakers, but where hope of agreement is never lost so long as the conversation lasts. This hope is not a hope for the discovery of antecedently existing common ground, but *simply* hope for agreement, or, at least, exiting and fruitful disagreement...” (Rorty, 1980, p. 318).

If and where a hermeneutical attitude does not lead us further, in the last instance Rorty appeals to the “priority of democracy to philosophy” (Rorty, 1991j). On the one hand, in our understanding of Rorty’s view, the *problem* of incommensurability seems to be related to an unnecessary and implausible dream about commensurability<sup>85</sup>. On the other hand, the *dream* about incommensurability, “ensuring” the impossibility of meaningful communication between paradigms, is simply an unfruitful and unjustified attitude. Here Burrell might disagree, but he would have to further justify any semantical, epistemological or ontological reasons in his defence. Otherwise his arguments arguably survive *only* as a political strategy.

In line with Rorty’s hermeneuticist attitude, Sherer and Steinmann argue that

“the relevance of the incommensurability thesis ultimately depends on the belief in the relevance and necessity of closed axiomatic-deductive

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ambiguity of social phenomena and the corresponding lack of empirical evidence rather than incommensurability.

<sup>84</sup> Picking up a jargon does not necessarily mean accepting it full fledged.

<sup>85</sup> For a concise description of this dream as basically a dream of *syntactical* reduction, see Rosenberg, 2001, p. 137, footnote 3).

reasoning. It has been shown that this necessity would lead to either “infinite regress, a circle, or just in dogmatism” (1999, p. 521) <sup>86</sup>.

What we seem to have left is that in general, and in particular in cases of conflicts,

“[t]he rationality of the means for the pursuit of ends must be shown in argumentation about technical knowledge. The rationality of purposes and good intentions must be demonstrated through ethical-political [and we would add, pragmatical] argumentation” (Lueken, as cited in Sherer and Steinmann, 1999, p. 526).

Rorty’s position can be seen as close to Lueken’s as described by Scherer and Steinmann. However, Lueken’s position still entails an arguably unnecessary and problematical referral to a “foundation” or “beginning”. In his view,

“praxis precedes theory since praxis has to be understood as the *reason* (cause) and methodical *beginning* of every attempt to create knowledge” (Scherer and Steinmann, 1999, p. 527).

There can arguably be no definite demarcation between a larger notion of praxis, the praxis of constructing and the praxis of evaluating theories. From a Rortyan perspective, it is arguably unfruitful and unnecessary to assume either a need or a possibility of a universally

“correct *beginning* of the construction of a concept of argumentation” (Scherer and Steinmann, *ibid.*, p. 526).

Excluding the dream about a “neutral language of argumentation”, the suggested form of argumentation is ultimately a dialogue which does not only apply existing rules of argumentation but seeks to “construct and constitute (new) common rules” (Scherer and Steinmann, 1999, p. 532). In this interpretation, thus, to the extent that interesting cases of incommensurability can be established,

“the problem of incommensurability has no theoretical solution, but there is the practical *possibility* of a resolution” (*ibid.*, p. 536).

For this, in effect, not much more is needed, nor arguably fruitful, than adherence to all three kinds of loosely defined rationalities identified by Rorty (1998f, pp. 186-187) including a hermeneuticist attitude as described above. In particular in the social sciences, however, human knowledge, values, interests and beliefs constitute complex and inadequate webs which, when faced with the complexity of social phenomena, are not likely to be quickly transformable by such rational dialogue. Therefore we will probably continue to have different more or less disintegrated schools of thought.

However, rather than fixating on any necessary and unremovable abyss of incommensurability, we would thus argue that different schools of thought confront the *need* for continuous dialogue regarding the search for proper vocabularies in which to describe and explain the social world and ourselves. There is thus in this interpretation nothing metaphysically given about the consequences of

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<sup>86</sup> Also Weaver and Gioia argue that “[t]o be non-hermeneutical and paradigmatically closed in...seems simply dogmatic” (1994, p. 317).

incommensurability. Carter and Jackson's somewhat attuned justification for Burrell and Morgan's paradigms claiming that

"the model is an explanatory device which is descriptive...[and] it is simply there if one wants to use it" (1993, p. 725)

thus seems to be beside the point. The question turns on how it is used and with what justification. Although Burrell himself defends the incommensurability thesis, as expressed in Burrell and Morgan (1979/1982), largely on strategic grounds (Burrell, 1996, p. 648) he still, as already noted, refers to epistemology when arguing that incommensurability hinders rational debate.

"[T]he notion of incommensurability...hits at the very core of the widely held belief in rational academic debate and discourse. What the proponents of the thesis of paradigm commensurability fail to understand is that one of the few lessons of history, in things epistemological, is that despite the best endeavours of many able minds the dream of translation remains just that" (Burrell, 1996, p. 650).

We agree with the claim about translation only when understood as a claim about narrow, technical translation of every part of different language-games and we do not not agree with the claim about rationality. Burrell is still, somewhat paradoxically, captured by the view that

"to be rational is to find the proper set of [neutral] terms into which all the contributions should be [narrowly] translated if agreement is to become possible" (Rorty, 1980, p. 318; the parentheses are added by us).

Thus paradoxically, Burrell relies on a "positivist" notion of rationality as well as "dichotomous thinking" exemplifying the attitude that if we cannot have rationality in the positivist epistemologist's sense, then we can have none<sup>87</sup>.

Incommensurability seems in fact to be no more dangerous for rational academic debate than any other historical disenchantments concerning gods, truth as correspondence, or other earlier touchstones for human existence. The debates and dialogues within the sciences can continue with rules making them as rational as possible, in fact as rational as they have ever been.

In summary, we have reflected upon the incommensurability thesis, on what in fact an argument for incommensurability relevant for organization science would be, and what is at stake. In short, we have reflected upon what all the fuzz should be understood to be about. The results of our reflections are:

It seems justified to assume, in organization science as in any other science, that there is no "neutral observation language" in which proponents of different theories can

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<sup>87</sup> Burrell continues by claiming that "Dialogue is a weapon of the powerful" (1996, p. 650). The consequence being that we should wrap up all dialogues? Or should we wrap it up only in the cases of potential between "paradigm" dialogues? There seems to be nothing in Burrell's argumentation which would limit the "end of dialogue" only to the latter kind of dialogues. Why then does Burrell bother to communicate at all? Perhaps because he does not draw the conclusion that we should end all dialogue. Neither should arguably anyone else do it.

offer their evidence” which can help “in bringing decisions between theories under an algorithm” (Rorty, 1980, p. 324)<sup>88</sup>.

(2) It can be argued that

“the word ‘paradigm’ indicates criteria of scholarliness which are recognized within a certain school of researchers and are put into practice by these researchers, but not in other schools” (Sherer and Steinmann, 1999, p. 520).

(3) It also seems true that

“[D]escendants inherit different languages, practices, exemplars, and rationales for their work and either have difficulty or no interest in acting together” (Kaghan and Phillips, 1998, p. 201).

These three arguments makes rational dialogue between different schools of thought more difficult but not impossible.

(4) We have further suggested that we do not as of yet have any interesting cases of theoretical level incommensurability in organization science<sup>89</sup>.

(5) We have also argued for a view which abandons the meta-level incommensurability on the subjectivism-objectivism dimension in Burrell and Morgan’s (1979) exposition of paradigms in organization science.

(6) We have suggested that the most difficult "problem of incommensurability" concern normative (political) differences which reflect different judgements as to the most important explanations/actions/programs as well as the potential limitations of different explanations. This seems to be what is at stake in the incommensurability debate in organization science. This debate is likely to continue and it seems a healthy one where we arguably have no fruitful choice but to be broadly hermeneutical and rational in an ethical-political-pragmatical sense.

Social scientists seem often to be sensitive to the degradation of their field as scientific.

“Organization studies is *not* an immature science simply because it has no dominant paradigm” (Kaghan and Phillips, 1998, p. 207).

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<sup>88</sup> This is not to say that there are not “innocuous” shared neutral observation languages (Rorty, 1980, p. 324).

<sup>89</sup> However, arguing that commensuration is always possible Czarniawska (1999, p. 273) indicates a use of the term ‘commensuration’ which is ignorant of the problem that has given rise to the debate about incommensurability in philosophy of science. Similarly, according to our review above, arguing that the issue concerns whether we “can understand a different paradigm by thinking about it” (Donaldson, 1999, p. 269) seem to miss the theoretical problem of concern among philosophers of science. However, when Donaldson claims that “there is no inherent incommensurability of content” (ibid., p. 268) between theories in organization science we do agree at least that there seems to be no one who has identified such a problem at the theoretical level. We also agree with Czarniawska on the point that there is not much point in being “afraid of incommensurability” (1999, p. 273).

We would argue that social science has to live with being immature as a science. The issue is not so much the existence of different “paradigms”. The immaturity is more a question of the absence of any well justified agreed upon theorizations, conceptualizations and operationalizations within any one “paradigm”.

Thus, in conclusion, we would argue that more pressingly than a problem of incommensurability, the social sciences including organizational science, and within it HRM studies, face the problem of producing *any* explanatory propositions which a larger community of critical researchers even within paradigms could agree upon. It is this possibility with reference to the HRM discourse which interests us in the current thesis. In short, this interest is motivated by our sharing of Kuhns conviction that science

“requires a thoroughgoing commitment to the tradition...[In order for anomalies to be fruitfully pursued] they must be in explicit and unequivocal conflict with some structurally central tenet of current scientific belief. Therefore their recognition and evaluation once again depend upon a firm commitment to the contemporary scientific tradition” (1991, p. 145).

We think that so far there are few such “explicit and unequivocal” anomalies in HRM research simply because theorizations are still too incomplete.

There are conflicting demands on a researcher in organization science. On the one hand a researcher should probably firmly stick with a tradition in order to potentially make any fruitful “progress” in terms of potentially breaking it (Kuhn, 1991, p. 145). On the other hand, we should be broadly hermeneutical. The latter attitude is further complicated by the arguable fact that

“the organizational social science literature has become *oppressive* – burdensome in sheer quantity, onerous in expense, overwhelming to catholic readers” (Jermier, 1992, p. 210, cited in McKinley, Mone and Moon, 1999, p. 637).

Further evidence of this fact is the claim that

“the number of papers published [is] overwhelming anyone’s ability to read or even keep track of them all” (Field, 1993, p. 323, cited in McKinley et al., 1999, p. 637).

Despite this we probably have no choice but try *both* to be broadly hermeneutical *and* stick to a tradition.

## 2.7 METHODOLOGY

Our therapeutic philosophical attitude also means that we assume no fundamental a priori distinction dictated by “the nature of the research object” between explanation and understanding. The difference between a quantitative and a hermeneutical methodology is thus arguably not to be seen as

“a matter of the difference between the “sciences of nature” and the “sciences of man”, nor between fact and values [or meaning], nor the theoretical and the practical, nor “objective knowledge” and something squishier and more dubious. The difference is purely one of familiarity”. (Rorty, 1980, p. 321).



In line with Rorty's arguments about epistemology and ontology discussed earlier, we should not argue that there is something a priori determinable about human beings which dictate a hermeneutical methodology for all inquiry about human action. Meanings (and/or e.g. identities) may be dynamic and contextually sensitive but "[t]here is no [good] metaphysical reason why human beings should be capable of saying incommensurable things, nor any guarantee that they will continue to do so" (ibid., p. 347) with reference to any specific (research) topic. Rorty's argument is only that arguments referring to such metaphysical reasons are, in the light of the history of (western) philosophy bound to be rather unfruitful. For Rorty the only real danger concerning abnormal discourse has to do with phenomena like "the scarcity of food and the secret police" (ibid., p. 389). Analogous phenomena might of course include intricate and subtle Foucauldian processes of subjectivation in the sense of "tying the individual to different models of self-knowledge" (Townley, 1994, footnote 7, p. 136). But the apparent potential of abnormal discourse among humans makes this unlikely in any problematical cases. Despite this potential there may be certain general patterns of meaning which are more stable and more generally shared among human beings, at least within certain contexts. Understanding such patterns, and/or explanations based upon such patterns, always in need of critical scrutiny, is what quantitative research in social science is looking for.

The line between understanding and explanation is thus, on the suggested understanding,

"not the line between the human and the nonhuman but between that portion of the field of inquiry where we feel rather uncertain that we have the right vocabulary at hand and that portion where we feel rather certain that we do" (ibid., p. 352).

The reason that we need both qualitative and quantitative methodologies in HRM research is of course that we generally are (should be) uncertain of whether we have the right vocabulary or not. However, even if we do not feel certain that we have the right (a good, justified) vocabulary at hand, we can still try to quantitatively test a vocabulary a certain community uses. Our interpretation of the literature on HRM and related areas is that at least some researchers think we have some good ideas about how HRM works or could work. This thesis attempts to construe a quantitative test of some of these ideas<sup>90</sup>.

Based on the whole discussion of Rorty's thinking we thus (as one example) reject any metaphysical realism with reference to the right vocabulary the pursuit of which dictates qualitative methodologies as e.g. argued by Tsoukas (1989). Explicitly referring to Rorty, Tsoukas himself seems later largely to have withdrawn from anything that resembles epistemological/ontological realism (1998, pp. 304-305). However, he still tends to draw general methodological conclusions, now basing his arguments largely on analogies to chaos theory and claiming that "the mathematics of chaos theory privileges a *qualitative* approach to the understanding of chaotic systems" (ibid., p. 303). He backs up these arguments by contrasting "[c]haos and

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<sup>90</sup> As already noted there are many requirements of an ideal quantitative test that are not (yet) satisfied in HRM theorizing (or organization science at large), primarily related to developments of both theory and constructs. To these issues we will return many times.

complexity metaphors" (ibid., p. 305) with "the Newtonian style of thinking...search[ing] for the universal, the general and the timeless" (ibid., p. 295). This Newtonian style of thinking is, with respect to social science, arguably largely "a straw man". Further, he admits that the concepts of chaos theory "may have acquired somewhat different meanings in the social sciences compared to the meanings they have in the disciplines where they were first developed" (ibid., p. 305). The search for new ways to understand social phenomena is arguably important. The only thing we claim is that chaos theory, in particular chaos theoretical metaphors, should not be seen as *a priori* dictating the impossibility of looking for more or less stable linear relationships between social phenomena. There is probably a long way to go before the meaning of any chaos theoretical concepts have been established in social science, although many of the concepts would seem to make intuitive sense. Further, there is nothing *a priori* which gives us reason to believe that the outcome of applying *chaos theoretical metaphors* in social science will be more successful than the application of *analogies to Newtonian linear reasoning* has been so far. Although chaos theoretical concepts may clearly involve new "analytical capacities" (ibid., p. 305), it seems that many phenomena in societies follow trends with at least some endurance. There is arguably nothing *a priori* nor even *a posteriori* which makes it *impossible* to explain and even to some extent (statistically) predict such trends or patterns by applying linear reasoning. However, it has proved to be very difficult indeed.

Regardless of chaos theory we will probably always need both quantitative and qualitative methods (and evidence) in social science, where the qualitative approaches in particular may allow researchers to do more "justice to the historicity of the phenomena to be explained" (ibid., p. 303). Because of both the complementarity and important practical differences inherent in quantitative and qualitative methodological approaches, we will arguably never get rid of the judgement that the application of only one of these broad categories of methodology increases the risks that we only believe that we understand something, while it will always turn out that we in retrospect did a poor job.

"The traditional quarrel about the "philosophy of the social sciences" has proceeded generally as follows. One side has said that "explanation (subsumption under predictive laws, roughly) presupposes, and cannot replace, "understanding". The other side has said that understanding simply is the ability to explain, that what their opponents call "understanding" is merely the primitive stage of grouping around for some explanatory hypotheses. Both sides are quite right." (Rorty, 1980, p. 347).

It may however still be the case that due to a contingent complexity and dynamics of social phenomena the most fruitful approach for researchers in organization science is to limit themselves to case studies, more qualitative methodologies and story telling (Czarniawska, 1995). The question is, should organizational science limit itself only to this?

## 2.8 STORY TELLING

According to Czarniawska, the question for organization studies "is this: one meaning, many meanings or no meaning at all?" (1995, p. 21). If there are too many meanings or no meaning at all this would naturally complicate in particular quantitative studies. According to Czarniawska this depends on how we approach texts. Of course, we can always "for example...[light] the cigarette with a text, but

more generally, use a disrespectful reading” (ibid., p. 22). This can be done to *all* texts. If we consider it interesting we are always likely to be able to find ironies and paradoxes in any organizations or writings about organizations. Sometimes “semiotic reading” (ibid., p. 22), treating texts as an aesthetic product, only creates pleasure. Sometimes it can be justified by the extent to which it illuminates more substantive issues of importance, e.g. problems with semantical or “methodical readings” (ibid., p. 22) of a text<sup>91</sup>.

In any case the scientific (methodical) ethos seems too easily, and on unjustified grounds, dismissed by Czarniawska.

“In scientific ethos...good writing is true writing, i.e. writing that corresponds truthfully to reality and uses formal logic in its representation. But if we assume that...no linguistic items correspond to any non-linguistic items...then these criteria are neither appropriate nor well grounded” (ibid., p. 26).

We have tried to state the case that the absence of criteria for correspondence is not in itself a problem for the scientific enterprise or the “scientific ethos”. In fact, nothing much hangs on the abandonment of a correspondence theory of truth and arguably no scientific theory has ever been “tested by correspondence”. Philosophically controversial realism is according to Fine just a needless “unnatural attitude” (Fine, 1984a; 1984b; 1986) whereas Czarniawska continues that

“we can point out that as iconic representation or representations tested by correspondence are impossible, *only* political representation is left...[which is ] always fictive” (Czarniawska, 1995, p. 27; italics added).

We have also tried to state the case that the jump from some form of realism to some form of complete relativism or “fictivism” is a jump between two extremes neither of which is likely to be more generally justifiable or fruitful.

The problem in Czarniawska's writing seems to be the inference from the idea of “science as conversation” to the idea that science is any form of conversation and just “plenty of translation” (, pp. 274-275). Czarniawska cites Rorty: “We need to make a distinction between the claim that the world is out there and the claim that truth is out there” (Czarniawska, 1999, p. 15). She continues:

“As a consequence, the sophisticated notion of episteme (knowledge) becomes equalized with doxa (opinion), held traditionally in disdain by science” (ibid., p. 15).

For the latter sentence she only refers to Rorty (1991c). However, nowhere in that text is such a conclusion reached, and it would indeed be a strange one. There is a rhetorical twist to Czarniawska's formulation. In some sense, what she says can be defended. The problem and fundamental issue is that she alludes to the implication that there can be *no difference* made between knowledge and opinion once the claim that “truth is out there” is abandoned. We have tried to argue, and present arguments indicating that Czarniawska's conclusions above are quite arbitrary.

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<sup>91</sup> Compare the discussion on postmodernism in section 2.2.1 above.

The problem with many understandings and interpretations of science seems to be that it is somehow believed that science needs a philosophical foundation. When no such thing has been found, the conclusion is drawn that there is nothing distinctively important in science worth preserving as compared with other human activities<sup>92</sup>.

An understanding of science as dependent on an exorcism of uncertainty carried out by philosophy and of science waiting for a panacea on the one hand and, on the other hand an understanding of science comparable to any narrative, is also exemplified by Burrell:

“[T]he uncertainties in our theories are to do with the failure of science to sell its narrative of being a form of knowledge superior to all others in delivering the goods. As a cargo cult of the twentieth century it was remarkably successful but new narratives and new epistemologies now seem more necessary than ever” (1996, p. 657).

We see no definite failure of science, although social science has proved very difficult indeed. “[T]he salient fact about...[the social] sciences is the absence of the discovery of any law-like generalizations whatsoever” (MacIntyre, 1981, p. 84)<sup>93</sup>. Science in general is the human activity par excellence where we should not be in the business of selling certainty. Science is about well justified beliefs just as much as it is about uncertainty in the sense that anything can be questioned. New philosophies might influence perceptions of science/knowledge just like Descartes, Kant or Hume and all the other “epistemologists” or “metaphysicians” of the philosophical tradition have done. But apparently “grounded” or “groundless” in any philosophical (non-empirical) sense need not be seen as having consequences per se for scientific knowledge. As is evident from (e.g.) Burrell (1996), the “groundless” alternative offers plenty of rhetorical possibilities, just as the “grounded” alternative does (or did).

Clearly one can legitimately apply “various kinds of literary analysis to [scientific writing]” (Czarniawska, 1999, p. 15). However, the purpose and conclusions of treating scientific writing as “a genre” (ibid., p 15) and applying literary analysis to it needs to be justified as to its value and purposefulness in each case. A neo-pragmatist argues that we should abandon universal a priori arguments.

Nobody arguably knows what the future of organization science looks like. However, Czarniawska has one suggestion:

“I argue for a conscious and reflective creation of a specific genre, which recognizes its tradition without being paralyzed by it, which seeks inspiration in other genres without imitating them, which derives

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<sup>92</sup> Distinctive characteristics can be identified although no absolute and universal demarcation between science and non-science seem to be possible (Niiniluoto, 1984, pp. 19-32). This problem can be understood as exemplifying the wittgensteinian idea of “family resemblances” between concepts.

<sup>93</sup> Explanations of this state of affairs has e.g in the 1960s been sought in statistical evidence showing that among “those completing Ph.D requirements in various disciplines...natural scientists are significantly more intelligent than social scientists...(MacIntyre, 1981, p. 88). Whether this is true or not, there are arguably other reasons (noted earlier) for the lack of agreed upon evidence for generalizable laws in social science.

confidence from the importance of its topic and from its growing skills" (ibid., p. 28). "Instead of aspiring to become 'a pure science', organization studies might admit to being 'a hybrid genre', and reinvest the energy saved from impossible endeavours in a dialogic relationship with the world" (Czarniawska, 1997, p. 26).

Czarniawska is trying to argue for something like science as narration or story telling (Czarniawska, 1995, p. 14). What Czarniawska understands as "impossible endeavours" can be understood with reference to her argument that

"the practitioner and the theoretician, the positivist and the hermeneuticist, the apologist and the critic, all rejoice in a holy search for 'reality' beneath 'appearances', 'depth' beyond 'surface' or 'backstage' behind 'frontstage' of organizations. The narrative approach is the very thing that can save organizational theory from this impasse (ibid., p. 20) ... What exactly would be the implications [of a narrative approach in organization theory]?...[It would transform] ourselves from automatic writers inscribing the truth about reality into authors aware of the possibilities and limitations of a genre in continuous development" (ibid., p. 23).

We have tried to argue that there is no given "impasse" as described above. Science is not, and has in the eyes of Rortyan pragmatists never in any important sense been, about "automatic writers inscribing the truth about reality" other than in a rhetorical sense in circumstances such as when the battle with the church had to be won (Rorty, 1980, p. 327-333).

The idea of science as story telling seems of undeniable utility at least in illuminating deficiencies and/or limitations and filling gaps in, giving depth to and suggesting new openings for more general claims to knowledge. However, we presumably need many approaches in organization science. Even if distinctions are hard to make and boundaries difficult to draw (Czarniawska, 1997, p. 26) in the world, the complexity of which we are all too aware of today, it is not reasonable to stop making distinctions or drawing boundaries (compare Wheeler, 2000f). However, researchers continuously have to account for the utility/dis-utility of any distinctions they make. Science (and its goal in terms of scientifically well justified beliefs) is one of the most powerful (meaning: fruitful) inventions of humanity. But it is no *panacea* or *deus ex machina*. In particular, social reality has mostly proven to be too complex for it to handle at least with any higher degree of accuracy or more unequivocal utility. Nevertheless, our societies are in need of suggestions for general tendencies of actions and their consequences and it is here that science in a more traditional sense still has legitimacy at least as an attempt (MacIntyre, 1981, p. 98)<sup>94</sup>. What organizational science would need is much more replication studies and detailed critiques. It would perhaps make (even more) apparent how little we know. In face of the complexities that have become apparent through "a few decades" of organizational research (Bouchikhi,

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<sup>94</sup> MacIntyre argues that a meaningful life requires both predictability and unpredictability (ibid., p. 99). The unpredictability (and abnormal discourse) seems fairly well secured and, regardless of many scenarios hostile to or critical of science, not threatened by either social or natural science. Further, it is of course true that people have managed, and continue to manage (in general and in organizations), without scientifically well justified beliefs (Czarniawska, 1998, p. 275). One challenge for science is to do something in order to improve upon such managing or at least probe the justifications for such managing..

1998, pp. 217-218) it may well be that there is very little organization studies can offer in terms of more generally well justified explanations. But this goes for all explanatory attempts, narrative and “non”-narrative. Narratives are however perhaps more likely to offer material for intuitive reflection and inspiration.

It might also be true that the little narrative “remains the quintessential form of imaginative invention, most particularly in science” (Lyotard, 1979, p. 61, cited in Czarniawska, 1999, p. 37). But that little narrative is only a small part of what we call science and scientific knowledge in the sense of (more or less precicely) "answering questions of the form 'If we do this, what will happen'" (Rorty, 1998a, p. 5).

The same arguably goes for metaphors<sup>95</sup>. Morgan, for example, is potentially operating with a contestable specific notion of metaphor, in that he according to Burrell claims or indicates that metaphors, or even “two metaphors taken together can provide a better *picture of the reality* under investigation” (Burrell, 1996, pp. 651-652; italics added). It is unclear whether Morgan conceives metaphors as having a precise cognitive content. Whether this is the case or not, metaphors in science are arguably mainly a tool for linguistic innovation, “essential to scientific progress” (Rorty, 1991k, p. 162). An essential part of the work within science, however, consists of attempts to elucidate the “realm of meaning” which arguably is “a relatively small ‘cleared’ area within the realm of use” (ibid., p. 164) of linguistic expressions. Compare the analogous contextualizing of “scientific revolutions” which largely based upon readings of Kuhn’s work often have, arguably wrongly, come to be seen as the most important part of science (Weinberg, 1998). Arguably, both scientific revolutions, narratives and metaphors comprise an essential part of the logic of science, but only a part. An important focus of science is “the explanatory power of standard sense” (Rorty, 1991k, p. 164) as well as elaborating on what such standard use should be.

“If ‘understanding’ or ‘interpretation’ means ‘bringing under an antecedent scheme’, then metaphors cannot be understood or interpreted. But if we extend these two notions to mean something like ‘making use of’ or ‘coping with’, then we can say that we come to understand metaphors in the same way that we come to understand anomalous natural phenomena. We do so by revising our theories so as to fit them around the new material. We interpret metaphors in the same sense in which we interpret such anomalies – by casting around for possible revisions in our theories which may help to handle the surprises” (ibid., p. 167).

In fact, human resource management can be seen as a metaphor. Thus, e.g. Steyaert argues for an “inquiry into what the H means in this weird combination of Human and Resource and Management” (1998, p. 1). It is evident that human beings cannot be managed in the same way as capital or machinery. It is also evident that human resources are not resources in the same sense as capital and machinery. Even if human resource management for many people is a somewhat flat and not very surprising metaphor it is still not clear what it could “mean” in standard use. The theorization of HRM can thus be seen as slowly trying to work out what the methapor of HRM could mean and what it might explain. The question is if there will ever be even any

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<sup>95</sup> Narratives and metaphors are arguably closely related (Czarniawska, 1997, p. 15).

temporary agreement on such a standard use. This is one of the questions researchers in HRM face, in particular those attempting quantitative explanations of the consequences of HRM.

“[Y]ou do have to kill off a metaphor to get a satisfactory theory of how *it* works. For such a theory will give you a widely-accepted [and potentially long and complicated] paraphrase, and a metaphor for which such a paraphrase is widely available is just what we mean by a dead metaphor” (ibid., pp. 167-168).... [An] ambiguity arises in the case of [the claim that] ‘metaphor is an indispensable source of knowledge’. If we accept the Black-Hesse-Searle view that metaphors convey information, they will be able to function as reasons for belief. On Davidson’s view, by contrast, ‘live’ metaphors can justify belief only in the same metaphorical sense in which one may ‘justify’ a belief not by citing another belief but by using a non-sentence to stimulate one’s interlocutor’s sense organs – hoping thereby to cause assent to a sentence. (As when someone holds up a probative photograph and asks ‘*Now* do you believe?’)” (Rorty, 1991, p. 169).

Much of the “new style management” has been argued to be more or less about such causing of assent. The potential for “to explain it is to destroy it” (Keenoy and Anthony, 1992, p. 238) is always there. However, it is not a priori clear that even if we could destroy or kill the metaphor of HRM, we would also destroy the way these practices might fruitfully work.

The open question in organization science at large is: can “small narratives”, metaphors or any form of unspecified talk in organization science ever be convincingly filled out to produce something we would call scientific knowledge in the sense of a “realm of meaning...[as] a relatively small and ‘cleaned’ area within the realm of use” (Rorty, 1991, p. 164) of linguistic expressions. If they cannot, then *regardless of methodology* organizational scientists will always be involved in something more akin to organization science as story telling than to anything else (compare the somewhat self-assured a priori arguments in Astley and Zammuto, 1992).

Somebody (e.g. Astley and Zammuto) might point to family resemblances between scientific knowledge and stories and thus show that there is no absolute distinction. We claim none. One problem, however, seems to be the often equivocal use of the concept ‘knowledge’.

“We would suggest the creation of narratives of the actual [*sic*], where, through storytelling, the experiences of people in their company are being documented and given sense. One abandons here the universal claim that some practices which are applicable in other companies can become isolated. The alternative is one of local knowledge, where stories give access to the local context, and its own ‘peculiar’ way of creating and continuing things” (Steyaert and Janssens, 1999, pp. 193-194).

While such local narration may have much to offer both practitioners and scholars, this citation may give the impression that knowledge would be gained as soon as anybody communicates something or writes down something. No matter how seriously and rigorously anybody studies and writes down something, this is arguably at least not what makes it scientific knowledge. The beauty of science is that it in the long run accepts sentences, statements or claims to knowledge only when they,

compared to many other human discourses, are exceptionally well justified. Justification pertaining to one piece of writing, one study or one person, in particular concerning one particular local context is very limited. Even justification pertaining to a body of writing during a long period of time by a great number of scholars is on the epistemological/ontological view explicated in this thesis always limited. Scientific claims to truth, claims whose use scientific communities endorse, potentially always involve "a mobile army of metaphors, metonyms, and anthropomorphisms" (Nietzsche, cf. Allison, 1995, p. xxiv). However, in the long run empirical science ideally works to reduce the number of "illusions" in the sense of statements which do not hold up against empirical evidence, i.e. "illusions" which are *simply* "metaphors which are worn out and without sensuous power" (ibid., p. xxiv ). Both natural and social scientific activity is the systematic work with sentences (in some symbolic system) based upon norms and standards which to some extent "always reflect our interests and values...[i.e.] our picture of human flourishing in general" (Rorty, 1998c, p. 49). In this sense science clearly has family resemblances with politics and storytelling. But it should not a priori be reduced to either of the latter phenomena because scientific activity also has some distinctive characteristics which have proven to be of great value at least within the "more" natural sciences. Scientific activity strives, (at least somewhat) more systematically than politics and storytelling, towards generally accepted justification, explanation, understanding, and often also more or less predictive accuracy based upon empirical evidence (which is not the same thing as correspondence with reality). The problem for the social sciences is (dynamic) complexity. The neo-pragmatist argues that there is nothing a priori and universal we can offer as absolute justification either for or against different efforts to come to terms with this complexity. But there is certainly plenty of historical evidence speaking for a very sceptical attitude with reference both to any social scientific claims to truth as well as critiques of any such truths.

With this understanding of the complexity of social science we now turn towards the more specific aim of working out a conceptualization of HRM and its effects as well as conducting an empirical test of this conceptualization.



### 3 WHAT IS HRM – MEANING

#### 3.1 CHANGE AND CONTINUITY

It has been argued that Frederick Taylor's doctrine, while no longer intellectually fashionable, "still pervades much of American culture - so much so...that we no longer realize it's there" (Wilentz, 1997, p. 32). Wilentz cites from Kanigel's biography:

"Taylor bequeathed a clockwork world of tasks timed to the hundredth of a minute, of standardized factories, machines, women, and men. He helped instill in us the fierce, unholy obsession with time, order, productivity, and efficiency that marks our age. Foreign visitors to America often remark on the rushed, breathless quality of our lives. Taylor - whose life, from 1856-1915, almost exactly coincided with the Industrial Revolution at its height - helped make us that way (cf. Wilentz, 1997, p. 32 )

As Wilentz remarks, Taylor's proposals were found by many practitioners as simply too complex and difficult to implement. But Wilentz argues,

"Kanigel is correct in observing that the crucial element of Taylor's system - the aggressive effort by management to gain control over technical knowledge connected with work - still dominates American labour relations" (Wilentz, 1997, p. 32 ).

We can add that these reflections are not irrelevant either for most of the industrialized world or for current research on HRM. However, what is arguably less and less persuasive is the adequacy of the alleged goal of Taylor's.

"Taylor's aim was to revolutionize labor relations by giving employers complete authority over production" (ibid., p. 3).

According to Wilentz, Taylor had "observed that men have a 'natural instinct and tendency' to take things easy" (ibid., p. 34). It is essentially Taylor's assumption of human nature, which began to be questioned, arguably beginning already with the welfare movement (Dulebohn, Ferris and Stodd, 1995, p 23) and later by the human relations movement (ibid., pp. 26-27). This questioning was clearly manifest in e.g. McGregor's thinking (Berglund and Löwstedt, 1996, pp. 215-216). Much of today's discourse on management continues to question this assumption. To the extent that work is perceived as meaningful Taylor's "observation" was arguably dead wrong. However, there is still much work which needs to be done which does not incorporate much intrinsic meaningfulness. In such contexts of relatively less meaningful work it may be correct to assume an a priori "instinct and tendency to take things easy". Nevertheless, the idea of trying to increase the meaningfulness of work, rather than the direct control, has been part of much later management thinking and is arguably also central to the idea of (at least soft) HRM. The general agenda can be viewed as achieving both performance and control through meaning.

With respect to this agenda in itself there is nothing fundamentally new in the concept of HRM. Its potential contribution is rather a question of emphasis and enlargement of scope. In fact, already Taylor declared that

"[s]cientific management...has for its very foundation the firm conviction that the true interests of the two [managers and employees] are one and the

same; that prosperity for the employer cannot exist through a long term of years unless it is accompanied by prosperity for the employee, and vice versa" (cf. Hancock, 1999, p. 156)<sup>96</sup>.

This agenda of achieving performance through meaning (or mutual prosperity), which can thus be traced back all the way to Taylor, continues to pose challenges to both practitioners and researchers. Indeed, there may also be parallels between new and old concepts of people management in terms of rhetorical uses of such concepts. Researchers seem to confront a continuous challenge in trying to discern and interpret also any negative consequences (including social, cognitive, emotional and physical) of the forms people management take. Current questions of importance include e.g.

"where 'soft' [HRM] apparently has been introduced, to what extent does that form (e.g. 'empowered' TQM oriented 'teams') and rhetoric (e.g. 'customer care') mask 'hard' practice (e.g. labour intensification, cost minimization, coercive surveillance)?" (Legge, 1995a, p. 330).

Twenty years ago Skinner expressed his view about the efforts to improve the management of people by the words "big hat no cattle". He claimed that a huge amount of suggested solutions have followed each other and organizations have invested "millions to make employees productive, loyal and motivated" but there has been no real payoffs (Skinner, 1981, pp. 106-107). The metaphor captures the "big talk" and little authority which often characterize organizational discourses related to the management of employees

The "big talk" might also be interpreted to refer to the academic and consultancy based management discourse including much of the current discourse on HRM. For example, already in 1981, at the end of his article Skinner suggested a range of premises and principles which more or less correspond to the ideas for which HRM researchers are still trying to provide evidence (ibid., pp. 112-114). However, research has recently at least been trying to conceptualize and provide empirical evidence for this "big talk" in a more integrated way than before. As already noted, the claim is that also theoretical development has put this "big talk" in a better position today (Storey, 1995, pp. 3-4).

In 1990 Guest argued that,

"while the importance of human resources had been emphasized before, the case had not been stated so clearly and convincingly and had not in the past found such a receptive audience"(1990, p. 378)<sup>97</sup>.

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<sup>96</sup> However, one difference applies with reference to how Taylor continued, "...it is possible to give the workman what he most wants – high wages – and the employer what he most wants – a low labor cost – for his manufactures (ibid., 1999, p. 157). The picture of HRM is arguably not as simplified any more. Another difference lies in the fact that few researchers today would be as self-confident in using notions such as "true interests".

<sup>97</sup> Keenoy (1997) has some critical ideas of this receptiveness and audience. These will be reviewed in the chapter 5.

It is only reasonable to remember that we always seem to confront both continuity and change (Blyton and Turnbull, 1994) although change usually is more exciting and receives more attention (Dastmalchian et al., 1991 referred to by Legge, 1995, p. 328).

The perceptions of change and continuity also tend to be dependent on our time horizons (Legge, 1995, p. 328) and interpretations. Legge argues for an underlying continuity in people management in terms of its function as a mediator of contradictions of capitalism (Legge, 1989)<sup>98</sup>.

We understand the continuous nature of people management, even more generally than Legge, as being a mediator of inequities in terms of resources and aspirations. In any system, capitalist or non-capitalist, individuals and organizations differ with reference to the social, cognitive, emotional and physical resources and aspirations involved. Employee management has a central role in mediating the resulting tensions<sup>99</sup>. The implications of allowing the settlement of these tensions to play a relatively independent role lie at the core of capitalism. The relatively free play of such settlement is the driving force in good as well as in bad. Legislation has however also in most capitalist systems a central role in mediating the role of this driving force. Some critique of HRM has focused on this issue. The claim is that HRM undermines the activities of labour unions and thus the welfare of employees (Guest, 1987; Purcell, 1993; Kamoche, 1994,1996). However, some research has found that HRM is more likely to be practiced more extensively in contexts of labour union presence (Guest and Conway, 1999, p. 368) implying that these are not contradictory. In fact, some scholars have argued for the possibility that labor unions could explicitly seize upon and try to realize many of the ideas incorporated in HRM (Guest, 1987).

### **3.2 HRM AND PERSONNEL MANAGEMENT**

In this research project we pursue the possibility of theoretical development and empirical evidence related to consequences of a certain form of employee management more or less explicitly derived from the discourse on HRM. From the point of view of this thesis the historical difference between the concept of 'HRM' and the concept of 'personnel management' is of lesser interest. However, at least for orientational purposes the question naturally arises: "Is there any difference between the normative models of HRM and those of personnel management?" (Legge, 1995, p. 71).

Legge shows ample evidence of the fact that "older" normative models of personnel management fairly closely correspond to the "new" normative models of HRM. She argues that the apparent difference between HRM and personnel management is mostly due to the emphasis in the discussions where the latter is often treated at a descriptive level and the former is treated at a normative level (ibid., p. 71).

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<sup>98</sup> The contradictions she refers to were described by Marx (Legge, 1995a, p. 291–294). In fact, Legge (1989) argued that the mediational role of HRM largely lies in the fact that the rhetoric of soft HRM is used to camouflage essential contradictions of capitalism (more clearly) embodied in hard HRM.

<sup>99</sup> Townley offers another more (and arguably too) limited definition of this role: "HRM is a discourse and technology of power that aims to resolve the gap inherent in the contract of employment between the capacity to work and its exercise" (1994, p.138).

Legge cites several sources which are very sceptical towards a distinction between HRM and personnel management, one of which is Armstrong who argues that

[HRM] could indeed be no more and no less than another name for personnel management, but...at least it has the virtue of emphasising the need to treat people as a key resource, the management of which is the direct concern of top management as part of the strategic planning processes of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations. The new bottle or label can help to overcome this deficiency (1987, p. 32)<sup>100</sup>.

However, Legge also identifies some more substantial dissimilarities between HRM and personnel management<sup>101</sup>. First, she argues that there is a different focus on the objects of HRM practices which emphasizes the management of managers whereas personnel management was more concerned with the management of non-managers (*ibid.*, p. 74). This aspect is also identified by Storey (1995, p. 6). This does not mean that HRM is not about managing non-managerial employees. Secondly, Legge argues that the role of line management as proactively focused on the proper use and treatment of employees is stressed in HRM (1995, pp. 74-75). This feature is identified also by other scholars (e.g. Mabey and Salaman, 1995, p. 448; Storey, 1995, p. 6). Thirdly, HRM lays a greater stress on top management's role of managing the whole organizational culture through the HRM practices and policies (Legge, 1995, p. 75). Also this is identified by Storey (1995, p. 6).

We might argue for a fourth difference between HRM and personnel management.

"It is through an integrated and internally consistent set of HR policies in relation to recruitment, selection, training, development, rewarding and communications, that the organization's core values can best be conveyed, according to normative models of HRM" (Legge, 1995, p.75).

The integrational aspect is emphasized by many scholars (e.g. Mabey and Salaman, 1995, p. 448; Storey, 1995, p. 6; Guest, 1997, pp. 270-272). Although the personnel management literature also talked about "the importance of integrating personnel practices with organizational goals" (Legge, 1995, p. 70), the emphasis on the system level integration is arguably more explicit in the HRM literature.

Theoretical/conceptual distinctions are one thing. They should however also influence empirical research. The explicit reference to the management of managers and culture as well as the role of top management has so far gone largely untested in empirical studies. Very few of the recent HRM studies have included intermediate (cultural

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<sup>100</sup> The fluidity of distinctions between today's HRM and earlier arguments about employee management are also described by Jacques (1999, pp. 202-205). In addition, we are faced with continuous new "fashions" (Abrahamsson, 1997; R  vik, 1997) in management thinking, in particular regarding more specific techniques such as BPR (Business process re-engineering) or TQM (Total Quality Management) (De Cock and Hipkin, 1997). The distinction between such fashions and (the fashion of) the HRM movement is often far from clear (see e.g. Wood (1999) on the potential connection between TQM and HRM).

<sup>101</sup> Legge also cautions us by arguing that "neither personnel management nor HRM is a singular model" (*ibid.*, p. 71).

level) outcomes in combination with organizational performance consequences. A large number of recent empirical studies have however focused on the general system level application of the individual HRM practices. Many of these have also focused on more explicit integrative aspects between HRM practices and between these and business strategies.

Thus in fact, empirical research has not really focused on any of the differentiating aspects explicitly identified by Legge in combination with testing the relevance of the new emphasis on HRM as a "central strategic management task" (Legge, 1995, p. 75) involving organizational performance effects. To the extent that empirical research has focused on what is a new emphasis in the literature on HRM, it has concerned the (integrative) system level of HRM (Becker and Huselid, 1998, p. 56). Empirical studies in personnel management were most often focused on particular personnel practices but arguably "such work can generally be discarded from any serious analysis of what is actually new and important about HRM" (Boxall, 1993, p. 747)<sup>102</sup>.

Thus, in addition to the distinctions identified by Legge, there are arguably at least some crucial differences between the HRM literature and the literature on personnel management in terms of the forms empirical research have taken.

However, the more a broad HRM theorization of organizational performance is developed the more urgent it might be to return to and bring in the psychologically oriented micro theory pursued by personnel management (related to individual practices). This seems to be a consequence of Guest's thinking of a theory of HRM.

"The factors that constitute 'appropriate' [HRM] practices are derived from the specific theories of organizational commitment, job design, goal setting and so on...The key features of [the normative HRM] approach are that HRM provides a coherent integration of these behavioral theories and that they spell out the linkages between practices and performance" (Guest, 1997, p. 268).

The alluded derivation has not yet coherently and explicitly been carried out. Also in this research project we will still largely focus only on the "possible broader framework linking HRM and outcomes" (Guest, 1997, p. 269). However, we will try to consider at least some "important problems with the theoretic underpinnings of SHRM research that have contributed to significant shortcomings in empirical research" (Chadwick and Cappelli, 1999, p. 2). There is at least a more and more thorough discussion on theoretical development which for the time being owes much to the resource-based view (Barney, 1991).

In summary, although there are some arguable differences between HRM and personnel management, there are clear gaps between the (insufficient) conceptual theorizings of the "new" meaning(s) of HRM, the (insufficient) "new" empirical

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<sup>102</sup> Also Becker and Gerhardt note that "[m]uch of the earlier research on the link between HR and performance has looked at single HR practices...The implicit assumption [of such work] is that the effects of different HR decisions are additive, an idea that is inconsistent with the emphasis on internal fit in the resource-based view of the firm" (1996, pp. 782-783). Even if such work is not inconsistent, it is at least insufficient with respect to the emphasis on fit or synergies.

evidence and the "new" rhetorics related to HRM. In fact, Legge (1995) devotes a whole book to exploring these gaps.

We will now turn to a discussion of two perspectives that have been taken in the HRM literature. These perspective have often been seen as mutually exclusive at least in certain contexts.

### 3.3 TWO MEANINGS OF HRM

Fundamental in the HRM movement is arguably the combination of many ideas (Mabey & Salaman, 1995, p. 35-36). The complexity is evident in the Harvard framework presented in figure 2.

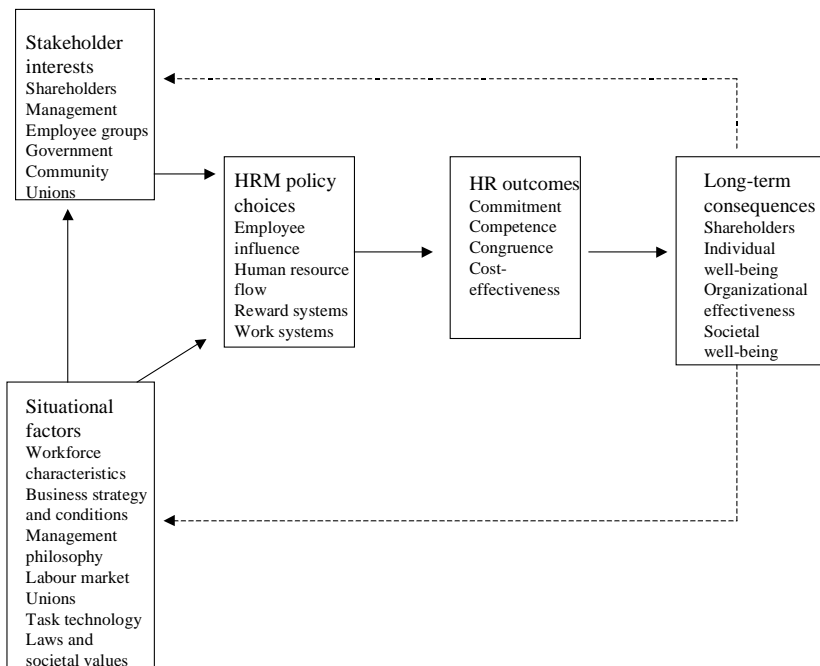


Figure 2: Beer et al.'s framework (1984, p. 16)

This Harvard framework is classified by Guest as belonging to “descriptive theories of HRM” which “provide conceptual maps of the field ... [but] provide no clear focus for any test of the relationship between HRM and performance” (1997, pp. 264-265). Although the framework well exhibits the complexity involved, we thus arguably need a lot more specification in order to develop a testable theory of the links and mechanisms between HRM and organizational performance.

Guest has argued that,

[One] implication [of HRM] is that there is strategic choice about how best to use human resources. A number of writers are less sanguine about

strategic choice and argue that the key to competitive advantage lies in making full use of human resources (e.g. Walton, 1985). From this perspective the more important claim to novelty in HRM lies less in the recognition of a strategic choice than in the presentation of a particular strategic solution" (Guest, 1990, p. 378).

Here Guest refers to the two broad streams of theorization in terms of 'soft' (universalistic) HRM and 'hard' (strategic) HRM. To the extent that we do consider the "human side of enterprise" (Guest, 1990, p. 379) both economically and ethically important, one challenge is to try to find conceptualizations which combine the two putatively contradictory "new" schools of thought.

According to Legge, such an integration would seem to be relatively unproblematic "where an organization pursues a strategy of producing high-value added goods and services, in a knowledge-based industry..." (1995a, p. 67). However, Legge asks,

"what of the organization that as part of its asset management chooses to compete in a labour intensive, high volume, low cost industry, generating profits through increasing market share by cost leadership?" (ibid., p. 67).

In such organizations it is more likely that strategic soft HRM does not have as much to offer. Certain necessary conditions (noted in section 1.5) of any larger scale influence of (strategic soft) HRM may be violated in such industries. However, it is not a priori evident that this has to be the case. Strategic soft HRM might at least make a (smaller) relative difference also in such industries. Further, it is not yet established that any form of integrated HRM approach even in knowledge-based industries in fact tends to have distinctively important consequences for organizational performance, although such approaches themselves might be viewed as more unproblematic in such contexts.

In any case, the problem with the traditional oppositional distinction between HRM and SHRM is that, as Pfeffer (1994) has argued, there seem to be companies which have "low cost strategies", are doing well and have a soft HRM profile. This would seem to indicate that the general idea that HRM should (theoretically) be contingent on strategy, in the sense e.g. that a "low cost strategy" combined with a less mutuality and commitment promoting HRM approach leads to better organizational outcomes, is simply wrong. We thus argue that there is some justification for a belief in the advantage of a general strategic soft HRM approach. The two strands of HRM, the 'soft' and the 'hard' approach, will be discussed in more detail in the following chapters.

### **3.3.1 HRM as a particular employment strategy**

In one interpretation of HRM it is thus a particular employment strategy which "is composed of policies that promote mutuality" (Walton, 1985b, p. 64). This approach is described by Boxall as

"a movement by management practitioners to substitute commitment-oriented 'HRM practices' for the traditional industrial relations institutions of union recognition and collective bargaining ... in this view HRM is an attempt by management to put in place a set of conditions where more interesting work, various participative mechanisms, improved security, demonstrably fair treatment and extensive development opportunities bond

workers emotionally to the firm and make it unnecessary for them to organize" (Boxall, 1993, p. 651)<sup>103</sup>.

As already indicated, in this sense HRM should be seen as simply a new attempt, an "evolution in philosophy, objectives and techniques" (Boxall, 1993, p. 651). In this line of conceptualization of HRM, Guest (1987; 1997) has been developing the "Harvard framework" towards a more focused and restricted testable model (table 1).

<i>HRM strategy</i>	<i>HRM practices</i>	<i>HRM outcomes</i>	<i>Behavior outcomes</i>	<i>Performance outcomes</i>	<i>Financial outcomes</i>
Differentiation (Innovation)	Selection	Commitment	Effort/ Motivation	High: Productivity Quality Innovation	Profits
Focus (Quality)	Training	Quality	Cooperation		
Cost (Cost-reduction)	Appraisal	Flexibility	Involvement	Low: Absence	ROI
	Rewards		Organizational citizenship	Labour turnover Conflict Customer complaints	
	Job Design				
	Involvement				
	Status and Security				

Table 1: Linking HRM and performance (Guest, 1997, p. 270)

For the moment we will leave the strategic aspects out of the discussion. Guest's model would then be one possible conceptualization of a soft (universalistic, best practice) HRM approach. It is also currently one of essentially two existing HRM theorizations of organizational performance in terms of an integrative but relatively parsimonious framework, spanning a range of more explicit outcomes (or mechanisms) at different levels<sup>104</sup>. However, in Guest's own words his model is only

"[a] model which illustrates the kind of linkages which might be explored, albeit using arbitrary categories for HRM strategy and HRM practices...Its

<sup>103</sup> The issue of union recognition and co-operation is important. There is clearly a "black hole" scenario (Guest, 1995; 1999) where organizations neither adopt "policies that promote mutuality" nor recognize unions. In our conceptualization of organizational performance effects of HRM we attempt to include employee perceptions of the HRM practices as well as a range of employee attitudes as intermediate outcomes. In such a theorization of HRM, union recognition should be viewed as one explanatory variable potentially in relation both to the HRM practices and the intermediate attitudes. Regardless of potential short term effects of unions one can of course plausibly still argue that in the long run union presence and recognition has an important role as guarantor of a reasonable mutuality in employment relations. However, the issue of union recognition falls outside the current reserach project and will largely be controlled for by the sample in our empirical study.

<sup>104</sup> More recently Ferris et al. (1998) have presented a partly alternative, partly overlapping social context theoretical conceptualization of HRM's influence.



main value in the present context lies in highlighting the range of related outcomes that need to be considered in any model that seeks to understand the impact of the 'human' factor in human resource management" (Guest, 1997, p. 269).

Boxall offers a critique which he directs specifically at this universalist perspective. He contends that "researchers have not settled on a common understanding of which HR practices to identify" within this perspective (Boxall, 1999, p. 446). Definitional issues clearly constitute a problem. However, such a common (albeit perhaps more contextual) understanding is equally important (and equally non-existent) within the strategic perspective discussed below<sup>105</sup>. Boxall offers the further critique, which he also directs at the universalistic perspective, that the problem of common agreement on relevant HRM practices is "compounded when cross-cultural issues are acknowledged" (Boxall, 1999, p. 446; Guest, 1997; Wood, 1995)<sup>106</sup>.

In addition to the lack of any more specific theoretical derivation of relevant HRM practices and intermediate phenomena, there is a lack of agreed upon operationalizations of potential constructs. By consequence, any more straightforward quantitative empirical evidence for the above kind of an integrated universalistic model is difficult to produce. In fact, any empirical evidence whatsoever for such an integrated model is still essentially absent. To the extent that we can begin to corroborate such a "possible broader framework linking HRM and outcomes" (Guest, 1997, p. 269), the theoretical mechanisms would also have to be explored in more and more detail.

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<sup>105</sup> Boxall (1999) refers to the (common) distinction between 'the behavioral perspective' and the 'universalist argument' that "a high commitment model of labour management generates superior outcomes in all competitive contexts" (1999, p. 446). The latter is thus what is usually referred to as soft HRM, i.e. HRM as a particular employment strategy. The distinction between a "behavioral perspective" and a "universalist perspective" seems to us an unfortunate way of making the distinction between a universalist ("best practice") view of HRM and strategic HRM because the universalist perspective is arguably as behavioral as strategic HRM. The difference is that the strategic point of view implies that *different* strategies require *different* types of behavior (and attitudes) which can be achieved through *different* forms of HRM whereas the universalist perspective implies that *certain* types of behavior (and attitudes) which can be achieved through a *certain* type of HRM are *universally* important. As noted, there is not much evidence based agreement about the more specific kinds of behavior and specific form(s) of HRM within either of these schools of thought. The non-universalistic strategic perspective will be further discussed below.

<sup>106</sup> In this study we will develop a perceptual (or "performative") conceptualization/operationalization of more abstract features of HRM which allows for different manifestations of the HRM practices. Such an abstraction could diminish cross-cultural problems to the extent that the HRM research community would be able to empirically identify such more abstract and general elements of HRM and its outcomes which through different manifest processes make a difference in any organization in any culture. However, this is clearly largely an empirical question and it may well be that cross-cultural differences will make all such efforts vain. It may even be that differences *within* any more or less coherent macro-culture will make it impossible to identify even temporally limited effective universalistic features of HRM and its outcomes. This may also be true for any contingency-based processes and outcomes. It simply seems too early to bring in the problem of cross-cultural differences before convincing evidence of HRM in any culture have been presented. What practicing organizations seems to confront is the need to conduct informed trial and error processes. The research community is largely in the same boat. However, to the extent that the empirical world allows it at all, with respect to the research community such efforts and processes should ideally be more coordinated than has been the case so far.

An indication that the common dichotomy between the two strands in the HRM literature is not entirely clearcut is that in his model of HRM, Guest (1997) has explicitly recognized also the other strand described by Boxall.

### **3.3.2 HRM and strategic choice**

According to Boxall, this other strand of the HRM literature, "strategic human resource management", explores "the theoretical links between employee relations (of whatever sort) and strategic management of the firm" (Boxall, 1993, p. 654).

Whereas at least the general idea of HRM as a particular employment strategy is fairly straightforward, Boxall argues that "the conceptual difficulties associated with spanning the strategy/HRM boundary...are much greater" (1996, p. 60). The many open questions related to strategic management as well as links between employee relations and such strategic management clearly poses problems for quantitative research designs.

Thus it has been argued that to study strategic human resource management

"for the most part ... means intensive case studies employing either longitudinal or retrospective designs that can capture the dynamic nature of strategy and strategy-making processes" (Dyer, 1984, p. 167).

Also Chadwick and Cappelli's suggestions for a re-orientation of SHRM research (1999, p. 24-27) would imply detailed case studies. However, Guest has earlier argued with general reference to case studies in HRM that "[t]he literature abounds with these....However, many are little more than anecdotes" (1990, p. 382). Clearly there are better and worse case studies and equally clearly they are important. We would nevertheless not like to rely solely on their testimony. We thus arguably need also quantitative research attempts which indeed have been pursued by researchers. However, regarding earlier studies in this genre Guest claims that "they are weak in specifying the process whereby HRM is linked to business" (1997, p. 264).

While cross-sectional quantitative studies cannot "processually" (Tyson, 1997) study such links, they could at least in principle identify consequences of the way HRM is linked to strategy and/or influences of different strategies mediated by HRM. However this would clearly require some reasonable a priori understanding of "the strategy/HRM boundary" (Boxall, 1996, p. 60).

In a recent article Wright and Snell (1998) have elaborated on this boundary. They offer a conceptual framework for studying external (strategic) fit incorporating the related idea of flexibility. Wright and Snell point out that "little agreement exists regarding the definitions and value of each" (Wright and Snell, 1998, p. 756). However, in some contradiction to this they later argue that

"the discussions of fit in strategic HRM are quite precise in determining the variables that constitute fit....the concept of fit has been well articulated in strategic HRM" (Wright and Snell, 1998, p. 761).

The concept of fit has been elaborated in many forms. However, in line with Boxall (1992, 1996), Ferris et al.(1999), Chadwick and Cappelli (1999) and Wright and Sherman (1999), we would argue that discussions in strategic HRM are not "quite

precise” and not “well articulated” in particular with reference to “the variables that constitute fit”. There is little agreement on the more specific content of strategic integration, and agreement on how we should operationalize it and integrate it into a theory of HRM. Wright and Sherman offered a classification of the diverse extant conceptualizations of strategic fit in empirical research and concluded that there are considerable ambiguities with reference to what is meant by fit (1999, p. 58). The concept of external fit is thus in our view barely defined in the literature. With reference to one conceptualization/operationalization of strategic fit, Becker and Gerhardt admit that

“[I]n a sense, simply entering cross-products to test fit hypotheses may show just how little is known about systems of HR practices” (1996, p. 789).

### 3.3.2.1 The concept of strategic fit

One of the first models of strategic fit was the ‘the matching model’ of HRM presented by Fombrun et al. (1984).

“The primary emphasis of this model is on the desirability of ‘fitting’ HR strategy to the firm’s choice of competitive strategy...” (Boxall, 1996, p. 62).

Boxall (1992, p. 68-69) argued that the early literature which focused on strategic human resource management often suffered simply from inadequate conceptions of strategy and the strategic process.

In one of the few specific studies of the relationship between HRM and business strategies, Peck notes that different researchers have argued for almost opposite consequences of certain business strategies for corresponding HRM strategies (1994, pp. 718-722). Her own empirical study of this relationship was based upon generic categories of business strategies (*ibid.*, 716-717) and separate variables for different HRM areas (*ibid.*, p. 725) with items derived from a dichotomy between soft and hard approaches of HRM in terms of a “buy orientation” and “a make orientation” (*ibid.*, p. 718). She also developed a general variable of a buy versus make HR philosophy (*ibid.*, p. 723). Further she included a variable of the employment relationship between managerial and professional employees (*ibid.*, p. 724). Based on the study, she draws the conclusion that

“the relationships between organizational strategy, HR and implied employment contracts are more complex than previously assumed [and] that HR practices may not be simply a mediating variable between strategy and the employment relationship (*ibid.*, p. 729)<sup>107</sup> .

In her study Peck used the generic strategies typology developed by Miles and Snow (*ibid.*, 716-717) but other research has indicated similar difficulties in finding a correlation between Porter's generic strategies and HRM practices (Chadwick and Cappelli, 1999, p. 12). Peck's results give empirical support either for the fact that, as

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<sup>107</sup> The study involved several weaknesses (*ibid.*, p. 730) including the fact that she identified all variables through HR executives' responses (*ibid.*, p. 729).

she claims, the relationships are more complex (and diverse) than previously assumed and/or for the fact that there has simply been something wrong with the classification/conceptualization of either HR policies and practices or business strategies or both<sup>108</sup>.

Boxall made a distinction between ‘business strategy’ (dealing with desired competitive position in a particular business, goals external to the organization) and ‘competitive strategy’ (dealing with critical internal resources such as organizational structure, human resources, technology and capital). He argues that this definitional distinction “helps to make the point that means do not flow unproblematically from ends” (1992, p. 60). One possibility which is seldom acknowledged is that there in fact may be no consistent relationships between any particular strategy and particular (formally identified) HRM no matter how we conceptualize such strategies. There may nevertheless at a more abstract level be relationships between HRM and strategies which may also have important consequences. We will return to this issue below.

Both Chadwick and Cappelli (1999) and Ferris et al. (1999) strongly argue that the typical conceptualizations of strategy and strategic fit used in earlier research, most often in the form of generic strategies, involve a set of problematic assumptions.

“These generic categorizations have little in common with the realities of the modern competitive environment...First, categorizations are *exclusive*, assuming that organizations pursue a certain strategic goal while ignoring other strategic concerns<sup>109</sup>. Second, they depict the competitive environment, and consequently organizational strategy, as being *static* instead of dynamic. There is much evidence that neither if the two assumptions is valid...Further, investigations into the HRM-strategy link have almost exclusively focused on predominant *intended* strategy of the firm and assumed that the professed intended strategy is equivalent to the emergent or realized strategy. Examinations based on that assumption are inherently flawed (Ferris et al., 1999, pp. 392-393, italics added).

Partly echoing Ferris et al. (1999), Chadwick and Cappelli argue that

First, generic [strategy] typologies can be highly *inaccurate* ways to characterize strategy in specific contexts, and they exclude other, potentially important conceptualizations of strategy. Second, describing both firm strategy and HR systems in a *unitary fashion on the organizational level* can mask important attributes of organizations which would enhance our understanding of the effects of HR and strategy on organizational outcomes. Third, operationalizing strategy with generic typologies does not match *the RBV theoretic approach*, which seems more suited to the needs of SHRM research. (1999, p. 20, italics added).

Thus, one problem with describing "firm strategy and HR systems in a unitary fashion on the organizational level" is that management rarely has “a single set of goals and means for all employees” (Boxall, 1992, p. 63; Chadwick and Cappelli, 1999, p. 15).

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<sup>108</sup> Wright and Sherman argue that there has been weaknesses in both (1999, p. 68-69).

<sup>109</sup> Also Legge problematizes the deterministic choice of strategies in terms of either/or (1995, p. 116).

In particular there is often a clear distinction between how HRM affects managers and hierarchically lower level employees. This has received little attention in prior research and should be born in mind when designing studies and choosing samples.

HRM strategies have also been conceptually identified and classified according to other parameters than generic business strategies. These include stages of organizational development or growth (Baird and Meshoulam, 1988; Kochan and Barocci, 1985), the complexity of the organization (Fombrun et al., 1984) as well as matrixes of human resource availability on the one hand and improvement needs in terms of business development, expansion, productivity or redirection on the other hand (Lengnick-Hall and Lengnick-Hall, 1988). These conceptualizations point to the potential contextual sensitivity of HRM practices, even within sub-units of larger organizations, and thus to the importance of proper research designs, operationalizations and choices of populations. None of these contingency "models" have however directly been the object of much empirical research, in particular combined with research on the HRM-firm performance link<sup>110</sup>. HRM strategies have also been conceptualized in terms of manufacturing strategies. This has been done mainly in connection to empirical studies at the plant level. It has been acknowledged that also manufacturing strategy often "remains a somewhat elusive concept" (Youndt et al., 1996, p. 861).

Depending on our approach we might need (new) answers to the question of how strategy is formed and what strategy is (Boxall, 1992, p. 68) or how strategic capabilities evolve (Chadwick and Cappelli, 1999, p. 24). We might need (new) answers to the question of which "aspects or conceptualizations of business strategy" or which "environmental factors...matter for human resource practices" (Chadwick and Cappelli, 1999, p. 22).

There has arguably not really been any conceptual advances improving the lack of an accepted more detailed but at the same time general definition and operationalization of external fit which would be applicable in quantitative research. It is clear that the relevant strategic parameters are complex. Ferris et al. suggest one way of identifying the strategic aspects which matter.

Future tests of the HRM-strategy relationship might be better served by considering strategy to be along a continuum, involving a number of strategic factors that are *seen by the organization* to be more or less important as competitive priorities (1999, p. 393, [italics added]).

To the extent that "[s]trategy scholars have no uniform answer, no widely accepted replacements" (Chadwick and Cappelli, 1999, p. 21) to the arguably obsolete generic categorizations of strategies, this approach has some justification. However, the difficulties involved with the notion of strategic fit do not concern only the identification of strategic factors that are important, but also the implications of any competitive priorities for human resource management.

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<sup>110</sup> One partial exception is Boxall and Steeneveld (1999) who attempted to situate their cases studies in relation to such contextual variables indicating that they may be essential. However, the case study nature of their research makes it difficult to judge the influence of the HRM practices.

Chadwick and Cappelli (in the quote above) indicate that the RBV brings something essential to the debate on strategic fit. We will now briefly consider this possibility.

### 3.3.2.2 The resource-based view and strategic fit

Lately the resource-based view (RBV) has been widely referred to and argued to cast some (more general) light on the issue of strategic human resource management and support the importance of it. Boxall claims that

“[t]he resource-based view of the firm provides a conceptual basis, if we needed one, for asserting that the key human resources are sources of competitive advantage” (1996, p. 66).

The RBV is also often used as a critique of, or at least a complement to, traditional strategic thinking and theorizing. Boxall claims that it

“is clearly a superior view to any static model of market positioning ...[and that] the resource-based perspective offers a way of theorizing the contribution of HR strategy that does not rest solely on the reactive notions of the matching model” (1996, p. 65-66). He continues “[it] seems safe to suggest...that what the resource-based perspective has stimulated is a re-balancing of the literature in a way that stresses the strategic significance of internal resources and capabilities and their historical development (ibid., p. 66).

In particular, the RBV emphasizes the building of distinctive internal strategic assets. Human resources have been argued to be a good candidate for such assets (Wright et al., 1994). Human resources may according to the RBV constitute sustained strategic assets in so far as they, in addition to being valuable, rare, and non-substitutable, also exhibit the properties of historical path dependency, social complexity and/or causal ambiguity and, by consequence, the property of inimitability (Wright et al., 1994).

Although traditional resources of competitive advantage such as natural resources, technology, economies of scale, and so forth, create value, the resource-based argument is that these sources are increasingly easy to imitate, especially in comparison to a complex social structure such as an employment system (Gerhardt and Becker, 1996, p. 781).

In line with this Becker and Huselid argue that “HPWS [High Performance Work Practices] represent a source of “invisible assets” (Itami, 1987) that both create value and are difficult to imitate” (Becker and Huselid, 1998, p. 58). All this seems logical and potentially relevant. Becker et. al. (1997) go further and claim that

“we believe that both the source of the HRM effect on firm performance and its inimitability reflect an ‘idiosyncratic contingency’ “ (ibid., p.41).

It is an interesting hypothesis implying the importance of idiosyncratic forms of strategic fit. However, as Becker and Gerhardt say, the evidence for this hypothesis “is entirely inferential” (1996, p. 788). Although often referring to the RBV, quantitative empirical HRM studies have arguably not really answered to the challenges the RBV poses. The emphasis on idiosyncratic contingency and inimitability seems not to have led to any advances in terms of how to empirically test what such idiosyncracies and inimitabilities might involve. The closest researchers may have come is the conceptual argument presented by Becker and Huselid that

“an HR philosophy that takes as its strategic foundation an HRM system that is aligned both internally and externally to successfully implement a firm’s strategy is a best practice. The nature of the fit is not. It is in fact very firm specific and idiosyncratic which is the basis of its inimitability” (1998, p. 59).

What this “in fact” refers to, we do not know. Further, it seems that idiosyncratic contingencies may well exist. But what kind of idiosyncratic inimitabilities and non-substitutabilities that are valuable/effective we do not really know. Nevertheless, potential idiosyncratic contingencies should arguably not only be allowed for, but their potential relevance should also be captured by operationalizations in quantitative studies. Becker and Huselid claim that

“The logic of inimitability has motivated a focus on complementarities ...and “bundles” or systems rather than the emphasis on individual HRM policies and practices that characterizes much of the traditional HRM literature” (ibid., 1998b, p. 3).

However, the operationalizations of such bundles often allow only for some forms of equifinalities but seldom capture the distinctive relevance of idiosyncracies<sup>111</sup>. In particular the idea of inimitabilities incorporated in the RBV seems to live a life of its own aloof from anything done in most empirical research and it seems that the idea of synergistic bundles or systems of HRM practices can stand on its own feet.

As already indicated, Chadwick and Cappelli also “place their bets” on the RBV. They engage in a reflexive discussion of the challenges the RBV poses to researchers in SHRM (1999, pp. 22-27). They also note that the RBV places organizational capabilities in focus, i.e. “the ability to use resources in strategically advantageous ways” (ibid., p. 21). However, the RBV does not offer very concrete help concerning the identification of such ways. Chadwick and Cappelli argue that in order to pursue its traditional questions, such as whether fit between business strategy and HR practices improve organizational performance,

“SHRM needs some indication of which aspects or conceptualizations of business strategies “matter” for human resource practices. Likewise, if strategy is to be used simply as a summary of the competitive environment, direct measures of the environmental factors which “matter” should be used. The assumption previously was that generic typologies must apply because they seemed to describe fundamental differences in how firms were organized and operated. This no longer appears to be true” (ibid., p. 22).

Chadwick and Cappelli argue that this implies contextually sensitive research (ibid., p. 23). Pursuing such contextual sensitivity with reference to organizational competitive priorities in line with the suggestion by Ferris et al (1999, p. 393), we will attempt to conceptualize and define both strategic fit and the general adequacy of the HRM system “performatively”, i.e. as defined by the practitioners. We will try to identify the extent to which the HRM practices in general support implemented and emerged strategic priorities as they are manifested in the daily work of employees.

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<sup>111</sup> We will return to the issues of both equifinality and idiosyncrasy when discussing our operationalization of the HRM system in section 8.3.2.2.

We will identify the general support in terms of the amount, quality and relevance of the HRM practices as perceived by the objects of these practices, i.e. general employees. In line with the definition in section 1.3 we will call this support the sophistication of the HRM system. Concerning the explicit notion of strategic fit, we will let managers in the organizations judge how compatible over all the HRM practices are with the requirements for pursuing each organizations strategic goals, i.e. its "competitive priorities" (Ferris et al., 1999, p. 393). This compatibility will be identified by the extent to which the HRM practices support attitudes, competencies and behaviors needed to pursue strategic business goals.

We will further try to analyze the extent to which variation in both strategic fit and the general sophistication of the HRM system influence organizational performance through some "generic" employee level attributes which have been argued to be of general importance (in particular) in knowledge intensive industries. In this way we try to analyze the extent to which the organizational capability in terms of the workforce can be enhanced by HRM practices which "matter" for the particular organizations under study. Chadwick and Cappelli argue that

"strategies may...be better formed by looking for ways to apply existing organizational resources strategically...than by determining a general product market strategy and attempting to fit internal resources to it (1999, p. 19).

However, independent of how the strategies are formed, the extent to which the HR practices help to apply the organizational capability in terms of the workforce to the ends actually pursued in daily activities should "matter". In a sense we will try to adhere to the suggestion that researchers'

"attention may be profitably directed toward...the ability to implement human resource policies, rather than on the specific contents of strategies and sets of human resource practices, since fit may be a phenomenon which is idiosyncratic (ibid., p. 26).

We will try to understand the consequences, at least in one knowledge intensive industry, of such implementational abilities. In doing so we will simplify by essentially assuming that organizational strategies matter to the extent that they are supported by the HRM practices.

We will identify strategy itself very simplistically as a continuum along a focus on quality. We will use this explicit strategy variable only as a control in order to test whether the HRM practices and consequent employee level attributes matter independent of the degree of a strategic focus on quality.

Our theorization may be compared to the one developed by MacDuffie (1995). MacDuffie identified the *organizational logic* of car factories as based upon two different components, a flexible versus mass *production strategy*, and *two sets of HRM practices*.

We postulate a corresponding potentially partly idiosyncratic *organizational logic* with reference to knowledge and labour intensive organizations. The factors corresponding to MacDuffie's *production strategy* is in our case the (non-idiosyncratic) intermediate HRM outcomes in terms of psychological empowerment,



and/or organizational commitment and/or organizational citizenship behavior. This can be viewed as a "production strategy" in terms of the degree of "mutuality" (Walton, 1985b, p. 64) in the relations between employees and organizations. In distinction to MacDuffie we include only one *HRM system* as the second component of the organizational logic.

MacDuffie analyzed interaction effects of the components of the organizational logic he identified. We will use one component of the organizational logic postulated by us, i.e. the HRM system, as a means of explaining variation in the other component of this organizational logic, i.e. the production strategy<sup>112</sup>. Further, we will analyze the relationship between such a production strategy and both employee and organizational performance outcomes. We will also try to explain the indirect influence of HRM on employee and organizational performance, mediated by the elements of the suggested production strategy.

The internal resources we identify are only partly potentially distinctive and idiosyncratic, i.e. in terms of the HRM system. The internal resources in terms of the production strategy are still generic and in this sense not compatible with the RBV.

However, we argue that these generic assets in terms of workforce characteristics, in particular psychological empowerment, should be dependent on the potentially idiosyncratic workforce capabilities which are needed in order to effectively do the work required in the organization. The extent to which the HRM system influences the generic employee assets identified by us is by the same logic also dependent on the extent to which the HRM system influences the more specific required employee capabilities.

At least the generic organizational capabilities comprising the suggested production strategy allow for the fact that the underlying capabilities may be firm specific. Pursuing the importance of the generic internal attitudinal capabilities in terms of psychological empowerment, organizational commitment and organizational citizenship behavior is arguably of more general interest because they are often considered as crucial characteristics of organizations. We will later come back to a more in depth discussion of these characteristics and their role in our theorization.

We will thus partly try to adhere to the RBV in terms of its implications for the general importance of internal resources as well as the potential importance of (more distinctive) idiosyncracies related to the HRM system and its strategic fit.

The way we identify the extent to which the HRM practices "matter", in terms of both the sophistication of the HRM practices and their strategic fit, makes our methodology somewhat ad hoc, but arguably still justified. Chadwick and Cappelli specifically emphasize that their suggestions about the importance of contextual sensitivity are not

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<sup>112</sup> In fact, organizations do not even need explicitly to pursue such a production strategy. We will simply try to analyze the extent to which the sophistication of the HRM system contributes to the emergence of such a production strategy. The interest and importance of such a "production strategy" rests on arguments we will review later.

"an appeal for ad hoc methodologies. Descriptions of strategic content and of the particular approach to strategy used to describe linkages between HR systems and strategies should be based on a thorough knowledge of the empirical context for a particular study" (ibid., p. 24).

However, as Chadwick and Cappelli argue, there may be "many more than three or four optimal "generic" configurations" (1999, p. 18) applicable to all organizations. This may be true even within any one industry. The dividing line between "ad hoc methodologies" (ibid., p. 24) and identifying strategy and/or strategic fit in terms of "strategic factors that are seen by the organization to be more or less important as competitive priorities" (Ferris et al., 1999, p. 393) is arguably fuzzy. In the next chapter we will explain in more detail a suggested understanding of the meaning and role of the more explicit notion of strategic fit in the suggested chain of outcomes<sup>113</sup>.

### 3.3.2.3 An explanatory mechanism of performance effects of strategic integration

Gerhardt and Becker have argued that "[f]uture work on the strategic perspective must elaborate on the black box between a firm's HR system and the firm's bottom line" (1996, p. 793). A similar argument is offered by Ferris et al. (1999, p. 394). The whole HRM system is one thing. The strategic fit of the HRM system is (at least partly) another thing. In addition to the open question of the mechanism(s) of the HRM system, the mechanisms of the strategic fit of the HRM system arguably represents a black box in itself. To date, most previous studies have analysed the incremental direct influence of strategic fit on organizational performance over and above any relationship between the HRM system and such organizational performance. However, how could we understand the mechanism(s) whereby strategic fit is linked to intermediate and ultimately bottom line outcomes? What is the relation between the HRM system as a whole and its strategic fit?

We suggest that in a strategic soft HRM theorization external fit should primarily explain variation in (employee perceptions of) the sophistication of the HRM system and indirectly the outcomes of this HRM system. In pursuing this suggestion we assume that employees carrying out the actual work are good judges of the sophistication of the HRM system. Our argument is thus that an implemented and thus potentially causally active strategic fit compatible with a soft HRM approach should be reflected in employee perceptions of the amount, quality and meaningfulness of the HRM practices, i.e. the sophistication of the HRM system<sup>114</sup>.

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<sup>113</sup> While thus partly trying to adhere to some possible insights related to the RBV, we also conceive the theory as problematical. The problem is that, to the extent that the RBV "offers a way of theorizing the contribution of HR strategy" (Boxall, 1996, p. 66) it seems at the same time to inhibit the possibilities of testing/making pragmatical use of such a theorization. In the more detailed critique of the RBV (below) we will try to work out the consequences of the arguable incompatibility of the claims "value creating resource" and "inimitable resource" as they are defined by the RBV. In fact, we will criticize the consistency of the RBV as developed by Barney (1991) with any very specific potential SHRM related explanatory variables capable of being empirically corroborated.

<sup>114</sup> What about the counter-argument that the extent to which strategic fit is reflected in employee perceptions of the sophistication of the HRM practices is dependent on two problematical assumptions: (1) that employees agree with the firm objectives and (2) have a good understanding of how HRM contributes to the achievement of these goals?

The general causal logic in the suggested organizational performance theorization in the form of strategic soft HRM could thus be stated as: the better the strategic fit, the more adequate (in terms of amount, quality and meaningfulness) HRM practices should be from the point of view of the employees. This should in turn affect the intermediate and ultimate performance outcomes<sup>115</sup>.

Employee perceptions of HRM, including the effect of any strategic fit on these perceptions, are important if we maintain the position that "policies that promote mutuality" (Walton, 1985b, p. 64) are both economically and ethically important. Our conceptualization arguably allows us to investigate this assumption. More specifically, this conceptualization, together with the inclusion of intermediate employee attitudes and behaviors, allows research on the compatibility between soft HRM and strategic HRM. It makes possible the identification of the extent to which any influence of strategic fit is mediated by the sophistication of the HRM practices, and/or involves an independent but compatible influence on intermediate employee attitudes and behaviors and/or represents a different influence incompatible with soft HRM.

If we do not conceptualize strategic fit as affecting either employee interpretations of the HRM practices and/or any intermediate perceptual attributes related to employees, but rather analyze the direct effects of strategic fit on organizational performance it seems that we will ambiguously deal with two different issues. One is *human* (or humane) resource management (where human resources are important to nurture and develop). The other is strategic fit and human *resource* management (according to which human resources might be important but a fit between HRM policies and business strategy is even more important) (compare Keenoy, 1997, p. 834)<sup>116</sup>.

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We assume that the work employees have to do is a manifestation of the emerged strategy actually pursued by the organization. In this sense they should be good judges of the strategic fit of the HRM practices. Employees may of course disagree about the goals (strategy) pursued by the organization and thus about the appropriateness of the work they are required to focus upon and thus perhaps disagree about the appropriateness of HRM practices independent of whether they support the work the organization considers important. But this argument is problematical. To the extent that the HRM practices could positively influence attitudinal intermediate variables, employee work performance and indirectly organizational performance, on average one would assume that employees would have to agree upon the appropriateness of the work they are required to do. If they do not agree on this then in one sense HRM has failed (selection, performance appraisal, training, involvement, communication etc) and by consequence its sophistication should be rated as low. Thus, we re-affirm the argument that to the extent that HRM even in principle could have positive organizational effects through its influence on positive attributes of the workforce, employees should be good judges of the sophistication of the HRM practices including its strategic fit.

<sup>115</sup> 'Better strategic fit' and "adequate HRM practices" are holistic concepts. Considering also the bottom line effects, they are intended to refer to the points of views of both employers and employees.

<sup>116</sup> We could attempt to analyze only the relationship between some kind of sophistication of (the strategic fit of) the HRM practices identified by e.g. managers on the one hand, and employee level intermediate outcomes (identified by employee perceptions) on the other hand. However, in so doing we would run the risk of misspecifying our models without the possibility to gain any understanding of a fairly obvious potential reason for such misspecification. The sophistication of the HRM practices identified by managers may not promote "mutuality". Most straightforwardly mutuality can be identified as the performance effects of a form of HRM which is appreciated by employees. Strategic fit may or may not contribute to either of these phenomena.

“Nearly all advocates of a ‘tight fit’ between business and HR strategies simply ignore the possibility that employee interests might make a difference to their prescriptions. In nearly all their work, HRM appears as something that is ‘done to’ passive human resources rather than something that is ‘done with’ active human beings” (Boxall, 1992, p. 68).

We think this is an important observation and we agree with Boxall that “[a] theory of strategic HRM must explain the relationship between strategic management and employment relations in the firm” (1996, p. 62). Even if our suggested conceptualization does not explain this relationship it allows us to explore it in terms of certain potential consequences of the (potential) alignment of strategic human resource management with employee interests.

#### **3.3.2.4 Flexibility and HRM**

The importance of some sort of flexibility has been pointed out by several HRM scholars (Gerhardt and Becker, 1996; Lengnick-Hall and Lengnick-Hall, 1988; Wright and Snell, 1998). Also negative aspects of flexibility have been discussed in the literature (Legge, 1995, pp. 139-173; Blyton and Morris, 1992, pp. 116-130). The specific question of whether the sophistication of the HRM practices in an organization is due to some sort of flexibility will remain outside this study. Nevertheless, the debate on flexibility requires some reflections on its possible bearing on our research problem.

Wright and Snell identify two dimensions of flexibility. The first is resource flexibility which does not necessarily have anything to do with dynamic environments and deals with appropriate HRM practices for different parts of complex organizations (Wright and Snell, 1998, p.763). The second is coordination flexibility and is discussed mainly in terms of problems with it. Wright and Snell mention that HRM practices differ in their amenability and the immediateness of the impact of such amendments. Wright and Snell argue that

“it is entirely possible that it could be 4 to 5 years before enough of the workforce possesses the new skills [produced by amended HRM practices] to observe the impact on firm performance. By that time, however, the entire system environment (external environment as well as firm strategy) may have changed. Thus, one goal for developing flexibility in HRM practices is to develop feedback systems that provide accurate and timely information regarding the efficacy of a particular practice or system of practices” (1998, p. 763-764).

Skinner (1981) claimed even more radically that it takes approximately seven years to achieve a genuine shift in human resource strategy. To the extent that there is any truth in this claim it casts even more doubts on the ability of companies to radically shift HRM strategies according to swift changes in business strategies.

In general the feedback loops Wright and Snell are suggesting seem perfectly relevant in order to reduce the risks of confronting radical sudden changes and restructurings. However, within the perspective of flexibility, in theory the dimensions of fit would imply that it will seldom be a question of changing only one practice because of “the high interdependence between system elements” (Becker and Gerhardt, 1996, p. 789). The frequent change of all of them would indeed seem problematical. Thus, one conclusion of Wright and Snell’s (1998) discussion is that organizations should try to

(and probably do) construct HRM systems with an architecture which is likely to be relevant for a longer term. Pfeffer (1994, pp. 63-65) also argues for the relevance of such basic overarching high profile HRM strategies tailored to different general focuses on quality and innovation. In fact Wright and Snell offer a similar claim in that

“the key role of strategic HRM is to ensure fit among a subset of strategically relevant variables while simultaneously seeking to build generic organizational capabilities that can be applied toward both discovering and implementing a variety of diverse strategic initiatives (1998, p. 767).

Due to the “liability of external fit” (changing conditions) and the “liability of internal fit” (complexity of incremental change) and the “liability of newness” (uncertainty of complex wholesale changes), Chadwick and Cappelli’s (1999, pp. 17-19) arguments imply a similar logic. Their conclusion, however, based largely upon the RBV, is the importance of taking internal resources in consideration when deciding on strategies.

Flexibility might be very important but the evident fact remains that organizations have to be good at what they are doing. If they are not, flexibility will be of little relevance. To the extent that flexibility is very important and compatible with the idea of (strategic) soft HRM, employees’ perceptions of the sophistication of HRM practices should reflect it (or, be a consequence of it). In this way we will arguably account for the potential importance of flexibility in the HRM practices although we are not explicitly testing such a hypothesis<sup>117</sup>.

So far we have discussed flexibility in terms of HRM practices. Wright and Snell (1998) also discuss flexibility in terms of employee skills and behavior. In this study we do not explicitly test for such flexibility either. However, again a theorization should at least be compatible with the potential relevance of such flexibility.

In their discussion on employee behavioral resource flexibility Wright and Snell emphasize the importance of providing “employees with great latitude in deciding how to accomplish...goals” (1998, p. 766). The HRM system should “produce”

“[e]mployees who possess a variety of [relevant] behavioral scripts and are encouraged to apply them in appropriate situations, rather than always follow standard operating procedures...[This should] increase the likelihood of the firm identifying new competitive situations and responding appropriately” (ibid., p. 766).

The extent to which such employees are “produced” should arguably be reflected in employees’ psychological empowerment, organizational commitment, organizational citizenship behavior. These are all aspects of the model of HRM we propose to test.

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<sup>117</sup> Accounting for the potential importance and complexity of flexibility would also require some control variables related to changes in the HRM system. To the extent that such changes have occurred, the potential effectiveness of the HRM system might not (yet) be identifiable. Controlling for recent radical changes should at least partly account for the relevance of Wright and Snell’s and Skinner’s arguments about the time lags between changes in the HRM system and its impact.

Wright and Snell end by emphasising the importance of a “participative infrastructure” both for the ongoing organizational performance and the strategic planning process (1998, p.768). A “participative infrastructure” is arguably also embedded in the concepts of ‘psychological empowerment’, ‘organizational commitment’ and ‘organizational citizenship behavior’.

As already noted, in this study we leave connections between specific manifestations of HRM practices, specific strategies and more specific skills, attitudes and behaviors outside our model (compare Wright and Sherman, 1999, pp. 59-60). All we do in this study is to try to conceptualize a general model which should reflect the potential relevance of certain flexibilities and more specific (potentially) idiosyncratic competencies<sup>118</sup>.

### **3.4 AN APPROCHABLE GENERAL MEANING OF STRATEGIC SOFT HRM: A SYNTHESIS**

Boxall comments that

“[i]t needs to be stated, in the strongest possible terms, that existing notions of external and internal fit in the strategic HRM literature do not amount to a theorization of the employment relationship because they merely prescribe an elegant alignment of management practices in a unitary conception of the firm. Much more difficult, and more apposite, is the question of how to achieve at least a minimal alignment of interests in a pluralist conception of the firm” (1996, p. 68).

When suitably developed, conceptually specified and operationalized, we would argue that one theorization which allows analyses of the role of HRM with reference to such alignment as well as its consequences is Guest’s (1997) theoretical framework (see section 3.1 above). It provides a way to begin to empirically test and develop ideas about the more detailed working of HRM in different (strategic) contexts and vis á vis different categories of employees. By testing an integrated theory of HRM, incorporating dimensions of alignment and the employment relationship, we are better positioned to detect misspecifications and misinterpretations of the adequacy and effectiveness of HRM practices. We are thus better positioned to corroborate (in a Popperian spirit; Putnam, 1974/1991) “the very idea of HRM”.

We argue that using some set of formally specified HRM practices and/or very specific HRM outcomes in testing this “very idea” is problematical given the current state of knowledge. With reference to Cappelli and Singh (1992), also Chadwick and Cappelli note that

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<sup>118</sup> Note that if our measures would not allow for the potential importance of any kind of flexibility, it would have consequences for the corroboration of the HRM theory. To the extent that our measures would not account for it we would for example, on the basis of Wright and Snell’s arguments, misspecify the relevant HRM system(s). Identifications in terms of formally existing HRM practices cannot in themselves capture any potential important (in)flexibility. Managerially identified formal properties of the HRM system and their fit with business strategy still leaves out the question of whether organizations have been able to implement these practices with adequate flexibility. Changing the system at the formal level might be relatively easy, but implementing it adequately would seem to be the difficult and crucial task

“SHRM hypotheses [usually] are based on two unstated propositions: (1) A particular business strategy demands a unique set of responses from employees (behaviors and attitudes) and (2) A particular set of human resource policies produces a unique set of responses from employees. Arguments about fitting business strategy to human resource practices are really hypotheses about the relationship between Propositions 1 and 2. These hypotheses cannot be true unless both propositions are also true, and the main difficulty facing attempts to do research on strategy and human resources is that we do not have a well-developed body of knowledge associated with Propositions 1 and 2 (1999, p. 20).

We would clearly need to understand more about the contextual demands, conditions for and consequences of HRM practices defined in more objective terms. In trying to test the “very idea of soft HRM” we acknowledge the epistemological limitations related to propositions 1 and 2<sup>119</sup>. In our research we will use performative operationalizations of the HRM system and strategic fit as well as general employee attitudes and behaviors which to a considerable degree allow for both equifinality and idiosyncrasy with respect to both the demands of “a particular business strategy” and the effects of “particular human resource policies”.

When trying to test “the very idea of HRM” largely in terms of the general framework provided by Guest (1997) there are, in addition to the epistemological reasons Chadwick and Cappelli note, two further sets of reasons (ethical and theoretical) for not using formal and objective definitions and operationalizations of HRM practices but rather definitions/operationalizations related to employee perceptions.

One reason has to do with the fact that most organizations are not unitary in terms of goals and interests (Boxall, 1996) and in particular with the *ethical fact* that (at least soft) HRM is a discourse about the investment in people and mutuality. Not only the ends but also the means of HRM should be consistent with this mutuality.

Another reason concerns the *theoretical importance* of capturing the potentially idiosyncratic implementations of the HRM practices. These implementational aspects would seem to be the causally important variables most consistent with the discourse on HRM. In line with this, Pfeffer cautions us that “implementation issues loom large, regardless of how sensible [from a more objective or formal viewpoint] the practices may be” (1994, p. 30). Also Guest and Hoque note that “having a strategy is not the same thing as implementing it effectively. Reporting a practice is not necessarily the same as demonstrating that it is successfully in operation” (Guest and Hoque, 1994, p. 5). Employee perceptions of the HRM practices would seem to be one interesting way of tapping their causality, in particular the causality which is most consistent with the perspective of mutuality<sup>120</sup>.

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<sup>119</sup> Becker and Huselid argue for an equifinality with respect to the mix of HRM practices (1998, p. 6). Also Delery and Doty (1996, p. 808) offer such an argument. Thus it might seem as if the lack of knowledge with reference both to outcomes of different HRM systems and their relationship with strategy could be turned into a strength. However, the open questions concern not only the outcomes of different mixes of certain practices but also the very practices themselves.

<sup>120</sup> With reference to the issue of causality, Bouchikhi has offered a somewhat puzzling general argument. “The phenomena labeled as structure, strategy, systems or culture have no causal power on their own...They all emerge throughout...interaction processes and reflect a tentative equilibration of

Irrespective of the epistemological limitations identified by Chadwick and Cappelli above, many researchers agree that we need more subtle conceptualizations of both HRM practices and strategic (external/internal) fit which should reflect the fact that

“HR systems only have a systematic impact on the bottom line when they are imbedded in a firm’s management infrastructure and help solve real business problems...The particular form of these problems, and more important, the appropriate alignment of the HR system, are much more firm-specific than corporate strategies of cost leadership or differentiation” (Becker and Gerhardt, 1996, p. 794).

A conceptualization in terms of employee perceptions of HRM practices is arguably one way to take such considerations into account. These perceptions should reflect the extent to which mutuality promoting HR systems “are [appropriately] embedded in a firm’s management infrastructure and help solve real business problems” (ibid., p. 794) *in terms of the actual work that needs to be carried out by employees*. The perceptions should thus reflect an emerged and implemented form of “strategic factors that are seen by the organization to be more or less important” (Ferris, et al., 1999, p. 393) *as these strategic factors are reflected in the actual work of employees*.

In this thesis we will explicitly assume at least two things with reference to the HRM practices. Firstly, that it is meaningful to identify the sophistication of the HRM system as being dependent on how valuable the HRM practices are in motivating and enabling employees to perform their jobs. To the extent that we do not so identify this sophistication we argue that something else might be involved than an investment in the idea that ‘the *human* side of enterprise’ is one of the most important resources of a company. The investment in this idea, one version of the ‘human’ in human resource management, is part of our definition of HRM. The second assumption is that employee perceptions of the amount, quality and relevance of the HRM practices reflect their motivating and enabling properties.

As noted above, this study will also employ a performative operationalization of explicit strategic fit in terms of managerial perceptions of how well the HRM practices support competencies, behaviors and attitudes required to pursue strategic business goals. This performative operationalization is due to *epistemological limitations* discussed in sections 3.3.2.1 and 3.3.2.2. In combination with this separate managerially identified variable in terms of strategic fit, the performatively identified HRM system variable allows for studying the potential compatibility of the points of views of “soft” and “hard” HRM. The a priori oppositional distinction between “soft” internally aligned HRM and strategic externally aligned SHRM is arguably neither necessary nor (potentially) adequate when developing a HRM theory of organizational performance in which performance is postulated to be generated through positive attributes of the human resource.

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an organization” (1998, p. 229). It seems that the above phenomena in principle can have causal powers and that there are no a priori answers to the question of potential causalities. There is simply variation in terms of what potential causal powers we as researchers are interested in (in what situations and for what explanatory purposes). The open question is always how much causality (or explanatory power) we can be justified in empirically attributing to any phenomena of interest.



The traditional distinction between a soft (best practice) conceptualization and a strategic contingency conceptualization of HRM is one thing. Another prevalent distinction which partly cuts across these two conceptualizations is that between internal and external alignment. Usually both are argued to be important for the strategic fit conceptualization while only internal alignment is argued to be important for the best practice approach. However, to the extent that internal and external alignment contribute to the effectiveness of the HRM practices in terms of organizational performance, they both have to do some work. Neither of them can just be a gear the turning of which does not affect the rest of the machinery.

An internal alignment of HRM practices would seem to imply that the practices support one another in producing consistent kinds of competence, behavior and attitudes. But this may be insufficient. In order to be influential in terms of organizational performance the forms of competence, behavior and attitudes may have to be specifically important for the achievement of strategic business goals.

The potential importance of some form of external alignment is thus clear. The relevant alignment is arguably in relation to strategic business goals which are actually pursued, i.e. emerged strategic goals which are pursued in daily activities at work. Only through a fit with such goals can strategic fit have an impact on the effectiveness of HRM practices. Thus, in our conceptualization, a relevant external fit comes down to the HRM practices being supportive in terms of competence, behaviors and attitudes which are important to perform current jobs<sup>121</sup>. However, the extent to which all the HRM practices support competencies, behaviors and attitudes needed to perform required work should at the same time be a measure of both external and relevant internal fit. As Peck argues, "[i]f each functional area is linked with the overall strategy then one assumes that the practices as a whole are relatively consistent" (Peck, 1994, p. 717).

Based on these arguments we conclude that, although a conceptual distinction can be made between internal and external fit, both may be needed for distinctive organizational performance effects. In their relevant forms, they may both come down to much the same thing<sup>122</sup>.

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<sup>121</sup> There is also the kind of fit which is related to such work activities which are going to be pursued (Wright and Snell, 1998, p. 765). But these are clearly related to "intended strategy" (or strategy emerging in the future) and cannot influence current performance.

<sup>122</sup> Thus, in our conceptualization also the more general motivation of employees e.g. through employment security, leisure-time activities and other benefits represent strategic fit to the extent that they not only make employees more satisfied but really enhance employee and business performance. It is however plausible that HRM activities which are "nice" but only very loosely connected to the daily pursuit of business simply might have only a very marginal influence on employee and organizational performance differences. HRM scholars still have much work left to do with reference to the more detailed causal logics of the individual HRM practices. The issue of universal best practices comes down to the question of whether there are universal strategic HRM goals relevant for all organizations and organizational strategies. There may be some such goals but we should hardly a priori and without considerable qualifications oppose this perspective to more idiosyncratic forms of strategic contingencies.

Also Becker and Gerhardt argue for a sense in which “the best practice and contingency hypotheses are not necessarily in conflict” (1996, p. 786). They argue that

“if there is a best practice effect it is more likely to be in the “architecture” of a system...For example, one architectural element of a high performance HR system might be that employee performance is valued and rewarded...There may be a best HR system architecture, but whatever the bundles or configurations of policies implemented in a particular firm, the individual practices must be aligned with one another and be consistent with the HR architecture if they are ultimately to have an effect on performance” (ibid., p. 786).

We suggest that our conceptualization can identify a HRM system architecture, not just in the form of general company policy statements but in a form which is embodied in employee perceptions. The architecture is thus defined as consisting of employee perceptions of the sophistication of the HRM system. This conceptualization thus arguably allows a test of the consequences of an implemented HRM architecture potentially compatible with a strategic soft HRM approach. The specific relevance of strategic soft HRM can be evaluated on the basis of the degree to which strategic fit can explain the sophistication of this architecture and indirectly other postulated outcomes.

Thus in summary, with our performative operationalizations we try to account for ethical and implementational aspects. Through these operationalizations we also try to account for both epistemological limitations as well as potential equifinalities and idiosyncracies of implemented HRM systems with respect both to the demands of “a particular business strategy” (Chadwick and Cappelli, 1999, p. 20) and to the employee responses produced by “particular sets of human resource policies” (ibid., p. 20). For several (epistemological, ethical and theoretical) reasons it thus seems important to let the objects of the HRM system judge the perceived adequacy of it. From the point of view of the organization the consequences of such adequacy constitute at least part of the criteria of the importance of the HRM system<sup>123</sup>.

Becker and Huselid claim that

“An HR *philosophy* that takes as its strategic foundation an HRM system that is aligned both internally and externally to successfully implement a firm’s strategy is a best practice. The nature of that fit is not.” (1998, p. 59).

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<sup>123</sup> Our argument thus is that the aggregated perceived sophistication of the HRM system should reflect also the relevant forms of internal and external alignment compatible with “soft” HRM. A separate measure of managerial perceptions of strategic fit will only provide the possibility to assess the extent to which a managerially identified strategic fit is a compatible and/or relevant cause of this sophistication or whether it represents an all together different potential influence on any relevant outcomes. To the extent that (strategic) fit is not explanatory in relation to our proposed notion of HRM sophistication it might indicate either bad theory, bad conceptualizations/operationalizations or simply inadequate efforts by organizations to achieve (strategic) fit. To the extent that we get negative correlations between HRM-sophistication and strategic fit it could indicate contradictions between a soft HRM approach and strategic HRM, in particular if we can find significant positive relations between strategic fit and positive organizational outcomes. In that case we may have to look further for mechanisms of the effects of strategic fit.

By this formulation Becker and Huselid remain silent on the issue whether a (longterm continuous) *investment* in the human resource is included in their notion of best practice. In our conceptualization such investment, reflected in employee perceptions of the sophistication of the HRM practices, *and* internal/external alignment may potentially be a “best practice”. Our conceptualization thus allows studying the possibility that also the nature of fit is a best practice, while allowing for the fact that the underlying formal HRM practices may not be. The importance of allowing for the latter point seems clear e.g. based upon the arguments offered by Ferris et al.

“Most studies have asked only the extent to which organizations utilize [e.g.] “formal performance appraisals”. [However] “[f]ormal performance appraisals” can mean very different things in different HRM systems. Are the performance appraisals developmental in nature? Do they include co-worker or customer input? Are forced rankings used? Are appraisals reflective of traditional subjective supervisory ratings? *Certainly, the type of appraisal most conducive to achieving organizational goals would vary across organizational contexts. The generic “formal appraisal” is thereby limited in the amount of information it conveys. The same is true for generic measures of selection methods, reward systems, and other HRM practices*” [italics added] (Ferris et al., 1999, p. 393)<sup>124</sup>.

A related issue of contingency is that the characteristics of a HRM system cannot avoid the fact that there will always be idiosyncracies in the way individual managers (or groups of managers) treat employees. “A recognition of such potential difficulties must be built into the study of human resource strategy” (Boxall, 1992, p.64). HRM should according to many involve also (line) managers (e.g. Storey, 1995, p. 6) and the development of managers (Legge, 1995, p. 74). Over the long run at least, HRM should influence both the qualities of managers and general employees. However, when trying to study the direct influence of the HRM practices on employee and organizational outcomes it is thus also of interest to try to control for a range of variables partly related but arguably still conceptually distinct from the HRM practices. In this study we will, among other controls, try to include variables in terms of organizational, superior and co-worker support variables as well as justice related variables. We will argue that these are theoretically interesting and important controls.

With reference to outcomes we pursue the extent to which the perceived general sophistication of the HRM system can explain variation in *general* employee attitudes in terms of psychological empowerment, organizational commitment and organizational citizenship behavior. These employee attitudes and behaviors allow for the fact that the more *specific forms* of competences, attitudes and behaviors required and possibly produced by potentially idiosyncratic forms of sophisticated HRM, can vary between organizations. This may be the case even if they at some level pursue

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<sup>124</sup> A related point is offered by Wright and Sherman (1999, pp. 68-69). Mueller argues even more strongly that “it would appear that the preoccupation among both managers and researchers with explicitly formulated, codified HRM policies is a position for which there is neither sufficient theoretical nor empirical justification” (1996, p. 759). Becker and Huselid offer an analogous argument in that they claim that “because these approaches imply such a limited range of strategy – HRM matches, there is little difference in their implications for HRM as a source of competitive advantage” (1998, p. 58).

formally similar human resource policies and/or business strategies. Our assumption in this thesis is that at least psychological empowerment (perhaps also organizational commitment and organizational citizenship behavior) reflect whatever underlying more *specific* and/or unique competencies that may be needed by employees to perform and thrive in the organizations<sup>125</sup>. Also at the level of outcomes we thus try to allow both for the fact that particular (formal) HRM policies/practices may not produce a unique set of more specific employee responses and that a particular business strategy may not demand a unique set of responses from employees (Chadwick and Cappelli, 1999, p. 20). The more explicitly tested assumption is that certain general employee work performance attributes (to be discussed later) reflect the employee work performance consequences of the general attitudes and that such work performance has distinctive consequences in terms of organizational performance. We discuss these issues in sections 7.2.4.1-3 and 7.2.5.

One way to try to improve upon the current limited contextual understanding of the functioning of the HRM practices, is to follow Ichniowski, Shaw and Prennushi (1997) and MacDuffie (1995). They looked for potentially effective, general but industry specific answers in terms of combinations of formally defined HRM systems. This implies research within single industries combined with a thorough understanding, on behalf of the researcher, of work systems and organizational logics in these industries (Chadwick and Cappelli, 1999, pp. 23-24).

However, when trying to put a general hypothesis of the influence of HRM to test, we arguably may still need more open ended definitions and operationalizations of the HRM systems, as well as their consequences. For instance, as reported by Becker and Huselid (1996, p. 794), in their comparative intra-industry case studies Cappelli and Crocker-Hefter (1996) found no “no best practice, rather each firm had a distinctive HR system that represented a core competency for that particular organization”<sup>126</sup>.

Chadwick and Cappelli suggest another complication and possible solution with reference to identifying proper dimensions of HRM.

“In industries where the human resource implications of a dominant production technology or employee governance mechanism are not obvious, making sense of the multitude of strategic actions firms might take can be a major problem...One solution is to break the organization into pieces where a dominant organizational logic does prevail...Of course, the difficulty with this approach is that it trades universal descriptions of the relationships between strategy, HR practices, and performance for contextual validity” (1999, pp. 23-24)

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<sup>125</sup> With reference to the RBV, a weakness of the suggested model is clearly that, despite the arguments (reviewed below) about the importance of the suggested intermediate mechanisms (attitudes), they may not be distinctively important. It may well be the case that, to the extent that general explanations can be achieved at all, both employee and organizational performance differences can only be accounted for by more specific idiosyncratic properties of the work force.

<sup>126</sup> Evidently, a proposition that such core competencies in fact are significant causes of organizational performance would need further empirical justification.

Our methodology in terms of performative definitions/operationalizations, it might be argued, trades *universal, formal and more objective descriptions* of HRM practices and internal/external fit for at least an effort to achieve contextual (and theoretical) validity.

In utilizing the suggested conceptualization which attempts to integrate and account for the arguments in the literature as well as acknowledge the limitations of current knowledge, we have thus tried to justify the argument that it is not appropriate to test hypotheses related to more objectively defined HRM practices, architectures or forms of fit. What the sophistication of the HRM practices more specifically than in the form of employee perceptions of amount, quality and meaningfulness consist or might consist of will remain outside this study. This research can at the most provide some evidence that pursuing the suggested general sophistication in the HRM system may influence certain outcomes including organizational performance. With reference to a generalizable HRM theory of organizational performance, we should arguably look for it at some such level of abstraction. To the extent that we can find evidence for something like the proposed general idea of strategic soft HRM, future research might probe properties and their formal-material antecedents in more contextually sensitive detail.

Before presenting the suggested conceptual model and deriving more explicit hypotheses which we set out to empirically test we will do three things. First, we will return to some more detailed considerations of the status and implications of the resource-based view. We will then also consider the ethical aspects of HRM and their implications for research on links between HRM and performance. Then we turn to prior research on such links. Only after having done this are we ready to present what we argue to be a plausible and ex ante justified model of certain links between HRM and organizational performance.

## 4 WHAT IS HRM – THEORY

Wright and MacMahan (1992) provided a landscape of different theories of potential interest for HRM research. Of these theories the resource based view (RBV) is perhaps the most relevant for, and potentially most compatible with, strategic soft HRM. It has also increasingly been referred to as a foundation for and/or supporting the importance of SHRM (Wright & McMahan 1992; Storey, 1995; Purcell, 1995; Hiltrop, 1996; Boxall, 1996, Becker & Gerhardt, 1996). Specifically, Barney (1991) is widely referred to in these discussions. Therefore this particular version of the RBV will be focused upon below. We will try to understand its applicability to and implications for SHRM as well as the research thereof. This is done mainly through an analysis of two conceptual articles more specifically applying the RBV to thinking about SHRM: Wright, McMahan, & McWilliams (1994) and Mueller (1996).

The underlying question is the same as Boxall's: In the framework of a resource-based perspective, "how do we theorise the role of HR policies and practices, the 'interventions' of HRM?" (Boxall, 1996, p.67). It is important that we be clear about what the resource-based perspective is within which this theorising takes place. In this critical review of HRM and the RBV we argue that certain anomalies are involved in the use of the RBV as it has been developed by Barney (1991). What follows may be viewed as a deconstruction of sorts of the RBV and in particular its connection with HRM. One way to describe this critique is that we

“attend to the language in the text[s] and to those areas where [the] language betrays itself” (Calás and Smircich, 1999, p. 656).

However, since we see little purpose in deconstruction per se, we end with some (somewhat) more constructive arguments concerning the implications which seem to follow from the logic of the RBV. We will also argue that a theorization of HRM's potential effects of organizational performance will have to operate at a more specific level than the RBV.

### 4.1 THE RESOURCE BASED VIEW ACCORDING TO BARNEY - A SHORT PRESENTATION

The RBV is a theory of sustained competitive advantages. Barney defines sustained competitive advantage as follows:

“A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (1991, p. 102).

The RBV makes the assumption that some firm resources in at least some industries are not homogeneously distributed and not highly mobile (ibid., p. 103). This assumption makes it possible to understand the possibility of sustained competitive advantages (ibid., p. 105).

More specifically, to

“hold the potential of sustained competitive advantage...a firm resource must have four attributes: [1] it must be valuable, in the sense that it exploits opportunities and/or neutralises threats in a firm's environment, [2]

it must be rare among a firm's current and potential competition, [3] it must be imperfectly imitable, and [4] there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare nor imperfectly imitable" (ibid., p. 105-106).

Two resources are strategically equivalent (substitutes) when they each can be exploited separately to implement the same strategies. Thus, non-substitutability refers to the requirement that there be no similar nor any different resources which can be strategic substitutes to a resource in order for it to contribute to sustained competitive advantage (ibid., p. 111).

Resources are inimitable for one or a combination of the following reasons:

(i) "the ability of a firm to obtain a resource is dependent upon unique historical conditions ", (ii) "the link between the resources possessed by a firm and a firm's sustained competitive advantage is causally ambiguous ", or (iii) "the resource generating a firm's advantage is socially complex." (ibid., p. 107).

Unique historical conditions simply refers to a firm's "unique path through history" (ibid., p. 108). Causal ambiguity refers to the requirement that

"both the firm that possess resources that generate a competitive advantage and the firms that do not possess these resources but seek to imitate them must be faced with the same level of causal ambiguity" (ibid., p. 109).

Social complexity refers to social phenomena

"beyond the ability of firms to systematically manage and influence" (ibid., p. 110).

It is clear that the causal ambiguity involved in this theory is a "type 1" causal ambiguity (Mosakowski, 1997, p. 417), i.e. a fundamentally irreducible ambiguity. The concept of social complexity is analogous in its fundamental irreducibility.

A resource is non-substitutable (inimitable) when all efforts to substitute for (imitate) them have ceased, and when all possibilities for emerging substitutes (emerging imitations) have been excluded. This concerns efforts by existing as well as potential competitors.

#### **4.1.1 The RBV - a critical discussion**

The question which arises is whether the RBV is a purely philosophical point of view, with no empirically determinable consequences. This is not Barney's view, as he suggests "some specific empirical questions which need to be addressed" (1991, p. 112). However, in order to do this, we would have to determine a priori universal properties (i.e. inimitability, non-substitutability). The implication of the RBV is that if there are sustained advantages, they will (by hypothesis) have to be universal, even if not eternal (ibid., p.103). Note that it cannot be a question of an induction to universality because, as explicated by Barney, the universal properties have to cover also all potential competencies, resources and efforts by current or potential competitors. The theory must thus necessarily involve an a priori identification of the universal properties of inimitability and non-substitutability. Such universality is essential for the whole concept of sustained competitive advantage.

Whether there are companies with such advantages, seems impossible to determine empirically. However, the idea would seem to be that the theory outlines conditions relevant as a *focus imaginarius*. Empirically we have to use judgement, both in research and in management, to determine conditions more or less in congruence with this focus. It is however disturbing that the theory outlines conditions which we by definition cannot identify empirically<sup>127</sup>.

Barney draws the seemingly correct but cautious conclusion that

“implicit in this model is the assumption that managers are limited in their ability to manipulate all the attributes and characteristics of their firms” (ibid., p.116).

One could argue that it is not only an assumption but also an implication of the criteria of social complexity and causal ambiguity. The question is to what extent they are limited. Barney stresses

“that managers are [not] irrelevant in the study of [sustained competitive] advantages. In fact, managers are important in this model, for it is managers that are able to understand and describe the economic performance potential of a firm’s endowments”(ibid., p. 117).

On the other hand, according to Barney’s own conditions for sustained competitive advantages, they are (with the exception of the cases only involving unique historical paths), not able to understand what this performance potential consists of. Nor can they rationally and strategically produce it. However, Barney goes on to say that

“without ... managerial analyses sustained competitive advantage is not likely” (ibid., p. 117).

Thus the evolved potential sustained competitive advantage is not likely to be sustained if managers do not analyse it and then utilise, support and develop it. Such identification by managerial analysis and managerial activity is then one more (somewhat contradictory) condition for the resources actually to contribute to sustained competitive advantage.

What shall we say about this, i.e. about managerial ability to support and develop such advantages, and thus about SHRM within the picture offered by the RBV? It would seem to be necessary to radically distinguish between the processes beyond manageability which have led to the advantage and the possibilities to manage its contribution and even its development. It is clear that in order to prevent the advantage from decaying,

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<sup>127</sup> For an interesting critique which argues that the RBV, as a theory of competitive advantage, is simply tautological and lacking in empirical content, see Priem and Butler (2001a and 2001b). Our critique will focus more on the part of the RBV which is not necessarily tautological (Priem and Butler, 2001b, p. 60), i.e. that part of the RBV which theorizes sustained competitive advantage. We will argue that even if the terms ‘value’ and ‘rarity’ could be defined in non-tautological ways, there are other problems incorporated in the RBV. Thus, our critique focuses on the extent to which “[t]he RBV has contributed to the explanation and prediction of sustainability” (ibid., p. 63).



"the firm must continually reinvest in the factors that create the ambiguity and barriers to imitation" (Reed & DeFillippi, 1990, p. 97).

But this seems problematic in that if management is by hypothesis not able to understand how the advantage developed, or even what it consists of, then how will they know how to nurture it strategically? How will they know that they are not destroying it by some specific practice or policy?

There seem to be the following danger. We utilise the RBV as an abstract and non-confirmable theory postulating the existence of and explaining how resources develop into sustained competitive advantages. We then move back to the more managerial-friendly view continuing from the point where they have emerged. We will argue that there is a tension in so doing. In fact there is a serious problem of internal consistency in the RBV which undermines its explanatory potential.

Barney has referred to a dilemma he calls the inimitability paradox (Barney, 1986, p. 662-663). However, he does not problematise the idea of managing a sustained competitive advantage, only the idea of creating one. Regarding culture as such a potential advantage he says,

"the normative implications of culture research are limited to assisting firms that already possess valuable, rare, and imperfectly imitable cultures and culture management skills in recognising and nurturing these organisational characteristics to obtain sustained above normal performance" (ibid, p. 663).

In a later work he discusses "costly-to-imitate resources...(because of path dependence, causal ambiguity, or social complexity)" and says that managers in firms with such advantages "may be able to help their firms gain sustained competitive advantages" (Barney, 1996, p.172). This seems somewhat vague and not abiding with his strict definitions in the RBV outlined above.

Essentially, the RBV needs an argument to the effect that there is a theoretical difference where a resource exists on the continuum between manageability and sustainability of an advantage. This claim follows from a basic proposition deduced from the RBV: In principle, the more one gains in sustainability, the more one loses in manageability, i.e. the more causal ambiguity and/or social complexity is involved. This could be a zero-sum game. The RBV seems to need something else than the ideas of the effects of causal ambiguity and social complexity on sustained competitive advantages, as these concepts are defined in Barney (1991).

Reed & DeFillippi have tried to make sense of the properties of ambiguity, complexity, and sustainability. They are not concerned with extreme ambiguity, but rather with

"situations in which managers understand causal relationships better than their competitors, and where competencies can be manipulated for advantage" (1990, p. 91).

But even if we ease up the criteria of ambiguity and complexity, as is e.g. also suggested by Boxall (1999, p. 194), there is still a problem. There is no unproblematic reason for why the knowledge of the causes to advantage would not spread to competitors. In particular, there is still a lack of clear theoretical reasons for why the

gains, caused by the existence of barriers to imitation, would be greater than the costs of increased complexity and diminished manageability. For example, if only very few persons can grasp the overall performance generation (Reed and DeFillippi, 1990, pp. 91-92), manageability is arguably significantly reduced. This is because it is very likely that decision making and agreement will be all the more politically problematical and arduous if this overall picture is not more widely shared and understood.

To the extent that reference is made specifically to barriers to imitation of competitive advantages we agree that "barriers to imitation are never insurmountable" (Porter, 1985). It is thus argued that the RBV should be reformulated to claim that the sustainability of a competitive advantage pertaining to a resource essentially is dependent on the time, persistence, competence and other resources required to create this resource. Of course, this will be a function of causal complexity. But this complexity is not defined by the concept of non-manageability nor that of unknowability as it implicitly is in the RBV outlined by Barney (1991). Nor is complexity thus defined as very limited knowability as it is by Reed & DeFillippi (1990). Basically we thus argue that the RBV stumbles on its own attempts to sophistication. In the literature applying the perspective of the RBV we confront similar attempts and stumblings.

#### **4.1.2 SHRM and the RBV - a background**

As has been pointed out, fundamental in SHRM is the combination of many ideas (Mabey & Salaman, 1995, p. 35-36). In general one can argue that there is a certain affinity between the RBV, its notions of complexity and causal ambiguity, and this view of SHRM as a combination of many dimensions. These are thus potential common denominators linking the RBV with SHRM.

Even if many studies refer to the RBV, often they do not respond to a central critique flowing from the RBV, i.e. the attempt to relate formal SHRM policies and practices directly to superior performance outcomes<sup>128</sup>. Other implications of the theory are also left unnoticed. Becker et al. e.g. discuss their views within the framework of the RBV (1997, p.41), but simultaneously underwrite the claim that HR managers need "deep knowledge of the web of cause-and-effect relationships" (ibid., p. 43). Such knowledge is, we argue, problematic within the RBV. Similarly, Huselid et al. claim that the resource-based view suggests that

"a firm's pool of human capital can be 'leveraged' to provide a source of competitive advantage...competitive advantage is possible if a firm *insures* that its people add value to its production processes and that its pool of human capital is a unique resource, both difficult to replicate and difficult to substitute for. HRM practices comprise the many activities through which firms create human capital that meets these conditions" (1997, p. 173).

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<sup>128</sup> Even combinations of such formally identified practices seem, in particular in relation to the measurements and conclusions drawn, unsatisfactory in this sense. The conclusions are generally that more is better. There thus seems to be no problems/advantages of inimitability captured here.

Again we have an ambiguous use of the RBV. This seems to contradict Barney's argument, which follows from his conditions, that firms which do not have such sustained competitive advantages, cannot create them (Barney, 1986).

In the following we are going to reflect in more detail upon the fruitfulness and internal consistency regarding the application of the RBV to the study of SHRM. The two articles examined paint different pictures of HRM and sustained advantages but to a degree they both remain vulnerable to a common criticism. This derives from the above mentioned ambiguities within the resource-based perspective under analysis.

#### **4.1.3 The conditions of possibility of HR-based sustained competitive advantages**

Wright, McMahan & McWilliams attempt to establish (1) that human resources can give rise to sustained competitive advantage, (2) in what circumstances they can do this, and (3) that managers do have control over these resources (1994, p. 302).

Regarding the condition of value incorporated in the RBV, Wright et al. refer to the theoretical rationale that has been offered for "the ways in which human capital resources increase firm value and techniques for estimating this increase in value" (ibid., p. 306-307). What is referred to is utility analysis. However, Wright et al. do not find these estimation techniques feasible and ultimately conclude:

"What is important is that there is a consensus that higher quality human resources result in higher financial value for firms" (ibid., p. 307).

The essential point from the perspective of HRM research is, however, that the research community strives for an understanding and a consensus on what these qualities are, what practices contribute to such human resources and how they do it.

Wright et al. also defend the proposition that human resources of high cognitive quality are rare (by definition) because cognitive ability is normally distributed in any population (ibid., p. 308)<sup>129</sup>.

Next, Wright et al. reflect upon inimitability, the third requirement of resources contributing to sustained competitive advantage. Their argumentation seem to pose some questions, already touched upon above. Wright et al. claim that the theoretical possibility of imitation of human resources

"is highly unlikely due to the many contingencies that exist in different organisational situations..., [to the fact that] human resource advantages are most frequently characterised by unique historical conditions, causal ambiguity and social complexity, and thus, are almost always inimitable" (ibid., p. 310-311).

This seems to imply that the conditions for inimitability are (most often) conjunctively, not only disjunctively satisfied regarding human resources.

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<sup>129</sup> Not only cognitive abilities are normally distributed in large enough populations!

How can anything with such characteristics be managed or explained? This could be interpreted to be an honest and straightforward announcement of an aporia in strategic human resource management focused on sustained competitive advantages, and the research thereof. On the one hand HRM seems important and fruitful. On the other hand it seems impossible. How are we to understand this?

We would have to make a radical, and arguably problematical, distinction between the social complexity and causal ambiguity of the processes involved in the advantage on the one hand, and the processes needed to nurture and develop this advantage, on the other. This seems untenable. There is thus a serious problem in any attempt to combine reference to the RBV with some specific theory of HRM and its outcomes, with the exception of contexts characterized exclusively by unique historical conditions.

#### **4.1.4 Generalisability, sources, and manageability of HRM based advantages**

Wright et al. continue by making some specific and central statements regarding (1) the generalisability of human resource advantages, (2) their sources and (3) their manageability, respectively, which we want to follow up.

##### **(1) Human resources are**

“one of the few resources which have the potential to ... be transferable across a variety of technologies, products and markets...[and] many human capital resources are quite generalisable” (ibid., p. 312).

This seems contradictory to the claims about social complexity and causal ambiguity. They say e.g. regarding social complexity that

“[i]t is possible that relationships between key personnel such as sales representatives and buying agents will develop over time and become part of a network that includes a larger group of personnel such as design and marketing staff, production and distribution workers, and management, as well as final consumers” (ibid., p. 310).

This holistic idea would seem to make the human resources very sensitive to changes and not “transferable” and “quite generalisable”. Specifically, high cognitive abilities alone would not seem to be enough to produce such relationships.

##### **(2) In their critique of HRM practices as a source for competitive advantage Wright et al. claim that**

“the source of sustained competitive advantage lies in the human resources themselves, not the practices used to attract, utilise and retain them” and that the HRM practice-oriented perspectives “are somewhat deficient from a theoretical as opposed to a practical standpoint” (ibid., p. 317).

It seems, however, that we cannot exclude the possibility that the HR practices are part of the causally ambiguous sources contributing to advantages. To name the

human resources “themselves” as the “ultimate source” seems to be both inadequate and to exemplify an unduly essentialistic causal ontology<sup>130</sup>.

- (3) Wright et al. go on to claim that even if the (ultimate) source of sustained advantage is the HR capital pool, human resource management practices play “an important role” (ibid., p. 318) in developing these advantages.

“[T]he human resource capital pool is a necessary, but not sufficient condition for human resources to act as a sustained competitive advantage” (ibid., p. 318-319). [In addition to the human resource pool,] “the correct mix of HR practices is a necessary condition for the maximal effectiveness of the HR capital pool” (ibid., p. 318).

This makes logical sense as long as we insist upon the fact that human resource practices can produce and nurture sustained competitive advantages in a planned and controlled way at the most regarding advantages which are exclusively due to historically unique contexts.

The problem (or advantage) concerning SHRM practices arguably lies in the detailed and intricate relations between their implementation and many other dimensions of organisational reality. These relations seem very aptly characterisable as socially complex and their relation to advantages (at least currently) causally ambiguous. Only the codified aspects of HRM practices can more easily be imitated<sup>131</sup>.

The above mentioned “apology” (Wright et al., 1994, p. 317) regarding the focus of practical SHRM does not seem relevant. If we adhere to the RBV the focus should be changed, both the theoretical and the practical. The focus should be on the combination of existing human resources, the implementation of SHRM practices and other organizational processes. Precisely here lies the problems of combining SHRM and the RBV. What managers or researchers can do in order to enhance and understand sustained competitive advantage in accordance with the RBV seems highly limited. In fact, we question the very theoretical possibility that there can be knowledge of a correct mix of HR practices to develop or nurture a sustained competitive HR advantage in other contexts than potentially historically unique cases. Thus, as we shall argue, we also question the sustained (as opposed to more or less sustainable) nature of any competitive advantage<sup>132</sup>.

Wright et al. claim that

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<sup>130</sup> In addition, Wright et al. indirectly defined “high quality human resources” (p. 307) in terms of normally distributed “cognitive abilities” (p. 308). Thus something (e.g. SHRM practices) seems needed in order to impede the same level and distribution of these cognitive abilities in all organizations. This something is either chance or some processes which are more “ultimate” than the actual quality of the human resources. From the perspective of SHRM, as already noted, it had better be some form of SHRM practices.

<sup>131</sup> It has been claimed that human resource *policies* relatively easily are subject to imitation between firms (Udayagiri and Hunter, 1995). This, of course, does not mean that the implementations of related practices, which after all are the ones potentially leading to advantages are easily imitable.

<sup>132</sup> Again with the exception of the cases of unique historical path dependencies.

“Managers can use HR practices...to attract, identify and retain high ability individuals...[and] once a differentially high quality human resource capital pool has been developed, the firm has a first mover advantage over competing firms” (ibid., p. 319)<sup>133</sup>.

This is problematical as the RBV implies that this process has to be emergent and contingent, not strategically manageable. The RBV would minimally claim that only when a company already has (perhaps due to a unique historical path) a differentially high quality human resource management staff, then it could possibly further create and nurture the advantage. The processes of attracting, identifying, retaining developing and motivating high ability individuals would depend on there being sustained competitive HR advantages which enable companies to do this (sustainably better than competitors). Thus, the properties of causal ambiguity and social complexity seem somewhat implausibly reduced to the emergence of sustained advantages in skills related to human resource *management*?<sup>134</sup>

Wright et al. end up emphasising two codified or codifiable criteria for sustained competitive HR advantages, i.e. the formal criteria of HR practices, and the formal criteria of cognitive abilities. We will see that Mueller (1996) moves in the opposite direction.

It is the circumventing of the idea (acknowledged by Wright et al.) of the limited ability of managers embedded in the RBV which invites most critical reflection. We basically follow a move from

“One of the problems inherent in [the RBV] ...is that it limits, to a great extent, the role of the manager in creating sustained competitive advantage” (ibid., p. 321),

to

“very few other firm resources are under as direct a control of managers as human resources” (ibid., p. 321).

This seems a problematical conclusion after the development of the view that human resources can be a source of sustained competitive advantage precisely for the reason that they are socially complex and causally ambiguous phenomena dependent upon

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<sup>133</sup> They also claim that first mover advantages arise *because* high quality human resources are rare, inimitable and non-substitutable. But the RBV does not imply that sustained competitive advantage is a condition for first mover advantages. Barney argues only that the heterogeneity of resources is such a condition (Barney, p.104).

<sup>134</sup> The sustainability of such advantages is as problematic as any other sustainabilities. The more urgent problem for explicit SHRM theorizing seems to be to conceptualize and provide empirical evidence for what properties of HRM practices give rise to any advantages. As we have argued earlier, both the properties, and the ways to achieve these properties, may well be very idiosyncratic and therefore inimitable although not necessarily non-substitutable.

unique historical conditions. These are precisely the elements which according to the RBV limits the possibilities of management<sup>135</sup>.

Thus, we question the reduction of sustained competitive HR advantages to general cognitive abilities of employees. We also think that the link between sustained competitive advantages and SHRM practices needs further reflection.

Lado & Wilson argue that

“[a]n examination of the role that the HR system plays in facilitating or *stifling* the development of organisational competencies [contributing to sustained competitive advantage] is warranted” (1994, p. 700, italics added).

To the extent that we refer to sustained competitive advantages, we have argued that there is a hidden and serious problematic of knowing what stifles and what facilitates this process.

#### **4.1.5 Persistence and the evolutionary character of human resources**

Mueller argues that rather than more empirical research into the effect of HR policies, we should question “the conceptual accounts of HRM” (1996, p. 759). He argues that

“From the evidence it would appear that the preoccupation among both managers and researchers with explicitly formulated, codified HRM policies is a position for which there is neither sufficient theoretical nor empirical justification” (ibid., p. 759).

Mueller’s answer to this situation is an evolutionary resource-based theory which includes the following propositions:

The development of strategic human resources “happens as a slow, incremental, evolutionary process that requires patience [and] is facilitated by ‘persistent intent’ ” (ibid., pp. 771; 771-772). It crucially depends on “underlying processes of skill formation” and existing “spontaneous co-operation “ (ibid., pp. 771; 773-775). It is more efficient the more “HRs work in concert with other resources” (ibid., pp. 771; 775-776).

Mueller sometimes seems to forget the talk about sustained competitive advantage and discusses the general development of “strategic human resources”. If this is intended as a synonym for sustained competitive advantages, then we come back to the point made earlier concerning the causal ambiguity and social complexity of the processes involved. How could researchers then explain and managers know what to be “patient” with, how to “facilitate” such development, and what “underlying processes of skill formation”, “spontaneous co-operation “ and tacit knowledge (ibid., p. 777) to draw upon?

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<sup>135</sup> In apparent distinction to Wright and MacMahan, Snell et al. claim that “people are one of the most costly and uncontrollable of all organizational assets...” (1996, p. 62).

(1) As yet, there is not much evidence, nor conceptual argument, as to what “daily forms of bargaining, exchanges, tit-for-tat, negotiations and resistance” (ibid., p. 774), are part of the causes of (sustained) competitive advantage.

(2) Not to mention that there is not much evidence as to what type of HRM policies and practices are necessary to support such phenomena.

The RBV seems to imply that we could answer the former questions only in the cases characterised exclusively by a contingently unique historical background and/or social complexity. The case of social complexity is however already problematic. An implication of the theory is that we can solve the latter problem related to SHRM practices only in cases where there is no causal ambiguity nor any social complexity and thus necessarily relevant uniqueness of historical paths (as these concepts are defined in the RBV).

Mueller thus potentially has a similar dilemma as the earlier authors. He also wants to preserve the idea that management is important and that HR policies play a necessary role in the “tapping of the organisation's hidden reservoir” (ibid., p. 777). He says that

“even if formalised HR exercises are insufficient for the creation of [strategic advantages], they can still perhaps play an important role in conjunction with other changes or already existing resources” (ibid., p. 770-771).

One interpretation of Mueller's idea is that the evolutionary resource-based theory downplays the causal ambiguity and social complexity involved, and thus rejects the RBV outlined by Barney (1991). Mueller's arguments would seem to suggest that the resource mobility barriers are to some extent evolutionary (i.e. arbitrary) and temporal factors. The development of competitive human resource advantages is a time consuming, somewhat idiosyncratic process. The idiosyncrasy has a lot to do with the essentially complex and non-identical<sup>136</sup> relationships between actors and systems, between agency and structure. The evolutionary aspect of the processes means that management cannot have full control of the creation of the advantages. But it can perhaps make them possible by persistent attempts. In this framework there is no principal theoretical problem with the view that once advantages have emerged they can be further managed, nurtured, developed as well as explained (but also imitated or substituted).

However, the analogy to natural evolution requires the following emphasis. “Natural” biological phenomena, when emerged and to the extent that they are stable at all, are arguably supported by sustaining processes continuously at work. In a parallel fashion, in particular in a turbulent, dynamic and expanding world like that of organisations, social phenomena seem not to be stable in and of themselves. Rather it would seem that e.g. in order for (complex) social advantages to sustain, they would need active social nurturing just to continue to exist. And the possibility of this, in the

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<sup>136</sup> We intentionally resist talk about a non-deterministic relationship as this cannot be anything but an unnecessary philosophical postulate.



case of highly dynamic social phenomena, would seem to depend on our knowing what produced or produces them<sup>137</sup>.

Thus, for explanatory purposes we have to be able to determine the evolutionary processes that were involved in the emergence of particular advantages [no ex post causal ambiguity á la Barney (1991)]. Where emerged, these or alternative processes must then also be effectively repeatable and sustainable [at least no ex post causal ambiguity nor social complexity á la Barney (1991)]<sup>138</sup>. Otherwise the management of the advantages would be impossible. So would the explanatory potential of any SHRM practices.

#### 4.1.6 Conclusions

According to the RBV as outlined by Barney (1991) we could not, as managers nor as researchers, say much (in a rational sense) about SHRM's role in the development nor the nurture of sustained competitive advantages. It would not be a rational activity in the sense that we would know or could come to know, and/or have control of the effects of what we are doing, except in cases where only the condition of historical uniqueness is satisfied. We have argued that this in fact means that "sustained" competitive advantages under these circumstances are simply very unlikely to exist. Another way of putting this conclusion is that either the RBV needs to be reformulated or strategic HRM (as it gets conceptualised through the RBV) is irretrievably intuitive in addition to its goals remaining very problematic in most cases. We have thus argued that this formulation of the RBV is not going to be of much help in the study of SHRM.

Thus firstly, whatever empirical research on SHRM can find out, it has to be something else than the effect of SHRM on sustained competitive advantages even if there may at some levels be severe social complexities and causal ambiguities involved. It is thus suggested that we should not a priori overemphasise the causal ambiguity nor the social complexity involved, as is done in the RBV developed by Barney (1991). We should concentrate on potential competitive HR advantages which are simply more difficult to create/imitate/substitute rather than impossible to create/imitate/substitute. Essentially this means that we should abandon the idea of sustained competitive advantages. This seems to be the only way not to be drawn into insurmountable conceptual problems.

Secondly, to the extent that there is anything plausible in the RBV, there is a suggestion which receives support in the above reflections. This is the idea that

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<sup>137</sup> The case in a non-turbulent world/culture would be somewhat different. There the same processes can be sustained as a tradition without the representatives themselves necessarily knowing what produced them.

<sup>138</sup> Any such alternative processes are presumably able both to produce and sustain advantages. In particular concerning social phenomena, there seem to be no good arguments claiming that some processes can create things and other processes can only sustain them. It is perhaps conceivable that some processes, in themselves insufficient to produce a social phenomenon, can nevertheless help sustain such phenomena for some time. However, if they are not able to produce them on their own, they are arguably unlikely to be able to sustain them for long.

SHRM research should allow for and try to utilize operationalizations which can account for the relevance of any contextual idiosyncracies in the implementations of HRM practices. As already noted, in our empirical study we will try to use such measures.

Thirdly, the logic of Mueller's arguments seems to indicate that time horizons are important. Significant and more lasting effects on organizational performance can hardly be expected to show up after only a year or two of even serious focus on SHRM practices. With reference to the identification of such time horizons there are severe limitations also in our study. Some steps in this direction are however taken in this research. Our operationalizations should be sensitive to the potential importance of time horizons with reference to achieving implementational adequacy of the HRM practices.

Finally, the topic of HRM's influence on organizational performance essentially seems to demand a much more specific theorization than what the RBV can provide. A organizational performance theory of HRM would seem to belong to what Priem and Butler call "midrange theories" (2001b, pp. 64; 61). Conceptually, the gains from utilizing the RBV in the pursuit of such a theory seems limited to some support for the a priori plausibility that HRM may be influential, as well as some implications for a possible explicitness and extent of formalization of such a theorization. The result may not be a simplistic theory with very specific necessary formal elements. Rather what we should strive for seems to be a theorizing of different sufficient and relatively loosely defined elements and processes<sup>139</sup>.

Below we will suggest a model, including operationalizations, along these lines. Before presenting this model we still need to consider two aspects of HRM. First, we will consider the much debated ethico-political debates with reference to HRM. Then, we will consider and evaluate earlier empirical research on the influence of HRM. The following two chapters may be considered as further justifications for both the legitimacy and relevance of our empirical research project.

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<sup>139</sup> Mueller claims that although his arguments "denies HRM the status of a sufficient condition, it can still leave a *necessary* role for HR policies in order to provide a stimulus for change and start a process that results in a more extensive tapping of the organizations' 'hidden reservoir' " (1996, p. 777). Testing such a hypothesis would seem to be very difficult. It would involve looking for counter-evidence to the hypothesized necessary role of HRM. But what would be the more specific necessary elements of HRM, i.e. what kind of counter-evidence should we look for? In this thesis we will still try to identify a sufficient role of HRM. Mueller may be right about the futility of such attempts. However, his argument at least partly seems to depend on how we conceptualize HRM practices and policies. Mueller is primarily referring to formally defined policies.

## 5 WHAT IS HRM – VALUES

“Is HRM Ethical? Can HRM be Ethical?” is the title of an article by Legge (1998). As chapter 2 suggested in more detail, every research topic, research approach and knowledge claim has to be justified and can only be justified by a set of ethical-political-pragmatical arguments and considerations. Thus, the question of values, or the ethical aspects of HRM are in a sense foundational. Therefore we will try to defend our approach by situating it with reference to a set of more or less severe “ethical” criticisms which have been directed towards HRM and the HRM literature.

Partly linked to the gaps in the empirical HRM literature discussed in chapter 6, at least some researchers have been troubled by a fundamental question concerning HRM or the “HRM movement”. This question has concerned whether HRM is mainly a

“formula for managing decline, down-sizing and retrenchment, or genuinely, as it claims, a formula for unleashing, focusing and enhancing organizational creativity and capability” (Mabey and Salaman, 1995, p. 18).

In other words, as already noted in section 2.8 one fundamental ethical question can be understood as concerning “what the ‘H’ of HRM” (Steyaert and Janssens, 1999, p. 179) stands for or could stand for.

### 5.1 MARKET MECHANISMS

Keenoy (1997)<sup>140</sup> recapitulates traditional concepts like ‘collective bargaining’, ‘unions’, ‘personnel management’, ‘interests’, ‘employment protection’, ‘pluralism’, ‘conflict’. All of these are obviously important concepts but pluralism, conflict and collective bargaining cannot be considered ends in themselves. The “movement” of HRM and the arguable positive potentials within it faces us researchers with the possibility, and in particular the need, to consider what might be alternatives or complementarities to the above characteristics and their consequences for individuals. However, Keenoy sees little positive potential and points to a re-imagination of the

“socioeconomic and organizational life to facilitate, promote and legitimize the purifying effects of the ‘market mechanism’ in all its various guises. This ideological project(ion) is associated with a ‘new’ set of ‘normal science’ linguistic images relating to employment regulation (e.g. ‘flexibility’, ‘deregulation’, ‘performance’, ‘quality’, ‘customer’, ‘individualism’, ‘commitment’, ‘non-union’, ‘competition’)... Analytically, [the] “linguistic turn” has engendered a significant shift of emphasis. The employment relationship, having been a structural (pluralist) relationship is being reconstituted as an astructural (unitary) relationship. We have also seen a parallel shift of focus away from internal employer-employee relationships characterized by endemic competition... ‘people-management’ is being re-imagined as (human) ‘resource-management’. ” (1997, pp. 835-836).

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<sup>140</sup> Keenoy (1997) is a review of two central and fairly critical books on human resource management which both appeared in 1995 (Legge, 1995; and Storey, 1995), a good decade after the flood of articles and thinking about human resource management began.

The "ideological projection" mentioned by Keenoy above is clearly ideological in the sense that the current notions of global capitalism, competition and world trade are ideological. Given these, most of the above "linguistic images" connected to the ideal of HRM try to describe tools and phenomena which at least in some form seem to be of relevance in today's organizational world.

The ideas of employment security, employee development, satisfactory pay and benefits, better communication and appraisal discussions, employee influence and autonomy as well as the general idea of pursuing commitment also have another side than the one implied by Keenoy. In so far as these ideals can be theoretically promoted and pursued in practice, they seem to fly in the face of the self-evidency or givenness of the extreme affirmation of the "purifying effects of the 'market mechanisms'" within the HRM movement. The way in which strategic soft HRM taken seriously is contradicting negative associations of the 'market mechanism' as a producer and distributor of employees is: It emphasizes a complex and integrated form of competence and motivational development within organizations, properties which cannot at least in any simple way be bought in the market.

Keenoy claims that given the

"ideological spin, there is no inconsistency in HRM embracing the logic of the market while - at the same time- 'valuing' its human resources. They are valued for their 'resourcefulness' (and what that costs) not their 'humaneness' (and what that might deserve). " (ibid., p. 836).

With reference to this topic, Jacques argues that

"[t]oday, managerialist writing has treated the human more or less solely as a capital 'resource', and failed to engage the hard questions of power and voice that are increasingly necessary in order to be even instrumentally effective as a profit producer. Similarly, but conversely, most critical writers reject out of hand the idea that the human be thought of as a capital resource. While this is admirable from a certain perspective, such romantic Humanism prevents engagement with the dominant language of the workplace in which, like it or not, 'human capital' and 'human resources' are representations of the worker one must be able to deploy in order to interact with, and influence, the web of power relationships structuring the workplace" (1999, p. 201).

In line with this we have tried to develop a conceptualization which at least to some extent lets us pursue the compatibility of the "humanistic" and the "human capital(istic)" points of views. In particular, the conceptualization is intended to be sensitive to the assumption that employee's engagement, influence and some other attitudes are "increasingly necessary [for organizations to consider] in order to be even instrumentally effective as a profit producer".

As already noted, some organizational contexts seem to offer more fruitful ground for strategic soft HRM to flourish. It seems important that researchers make an effort to develop models which capture any possible negative as well as positive empirically detectable consequences it might have in different contexts. To the extent that organizations practice soft HRM only at a verbal/rhetorical level, a proper conceptualization of HRM should detect consequences of this.

Also Guest and Hoque argue that,

“we should be developing frameworks and dimensions which allow us to study aspects of employment relations and human resource management without distinctive reference to the union issue” (1994, p. 2).

However, in line with Keenoy, Guest also claims that

“[I]n wider society, in some respects the conditions are being recreated which led to the growth of trade unionism a century ago” (Guest, 1995, p. 129).

Guest refers to the UK but his point has arguably greater generalizability. Also Hancock argues that

“[I]f one thing seems to have increasingly come under threat from [the] ‘new style managerialism’, it is the contract of employment...[This contract] appears to have become increasingly undermined as the legal/rational foundation of social relations within contemporary work organization [p. 97]...Even where it could be argued that some form of organizational citizenship may be emerging based upon a new form of contractual relationship...it is more likely to revolve around an elite core of employees at the expense of a relatively disenfranchised periphery, with this largely female, low-skilled and part-time labour force left unable to exercise choice or freedom of participation within this brave new organizational lifeworld [p. 98]” (1997, pp. 97-98).

There should evidently be a proper legal context which defends employees against abuses and more or less extraordinary events. At present, this is not a problem to the same extent in the Nordic countries as it perhaps is e.g. in the USA. A proper balance of freedom and legal requirements in this area is a difficult issue. It will remain outside the present thesis. In our view (at least the rhetoric of) HRM and in particular strategic soft HRM concerns mutual benefits of investing much more in employees than any such legal requirements are likely to dictate<sup>141</sup>.

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<sup>141</sup> To the extent that something like strategic soft HRM offers gains only to knowledge intensive organizations and their most resourceful employees, societies (still and again) face tricky ethical questions related to the increased “meritocratic” tendencies involved in the “HRM movement”. On the one hand it may e.g. be seen as reducing income differences between “traditional” passive shareholders and employees. On the other hand, if something like strategic soft HRM does not pay off e.g. in less knowledge intensive contexts, the income (and other) differences between those who are more “able” (including more “lucky”) and those who are less so increase (“the Mattheus effect”). There are arguable ethical limits to such differences. They are however difficult to identify and agree upon. How much should one be compensated for social and genetic advantages, which largely are beyond each individual’s own responsibility and possibility to influence? Ethics run into confrontations with pragmatic questions. If individuals are not compensated for such individual capacities, what could move them to do their best? What does “doing their best” mean on a collective level? Global political processes can only balance, but arguably not once and for all solve these ethical-pragmatical issues. That they are highly relevant seems to be confirmed as “recent American research demonstrates [that] there is little ‘trickle down’ of productivity-driven wage inflation from a growing, knowledge-driven economy to the lowest skilled workers” (Boxall and Purcell, 1999b, pp. 192-193 who refer to Nord, 1999). The liberal argument that justice is a question of same opportunities for everybody is naturally a very complicated one. To render the opportunities “the same” simply seems empirically to be an impossible endeavour. Thus “the same opportunities” is usually used in a somewhat equivocal sense. The opportunities can of course be more or less the same, where more is better than less. Rawls has some important things to say about these issues. His position or suggested point of view for deciding on moral rules “behind the veil of ignorance” is arguably an empirically impossible position to enter and

With reference to HRM, Keenoy goes on to claim that

"...when managers 'rightsized' the organization, it is, by definition, an entirely 'positive' act in tune with 'the market' (1997, p. 836).

Here we are faced with rhetorical arguments from an opponent to HRM about 'rightsizing' being a 'positive' act through and through without taking any context into consideration<sup>142</sup>. It is rhetorically implied that continuous layoffs would have positive effects on long-term commitments of employees and supporting serious efforts to build a competent human resource. Keenoy's argument (consciously) conceals or downplays the argument that in the long run the humanness and resourcefulness are at least to some extent dependent on each other. This is of course the debatable assumption that strategic soft HRM embodies. This idea still needs to be critically developed and tested in different contexts. That would increase the chances for well justified beliefs concerning these issues. The assumption is of course more likely to be true in contexts of knowledge intensive organizations where the "human resources" have more bargaining power. In other contexts labour unions could well take up the themes of (strategic) soft HRM (Guest, 1987). However, such efforts would arguably in todays world gain considerable momentum only to the extent that empirical research can convincingly show positive individual as well as organizational effects of something like strategic soft HRM.

Humanity is still only learning, increasingly on a global scale, to cope with an accelerated capitalism. There is an increasingly inevitable truth in the claim that employees are part of "perilous journey" where no-one is "safe" (Keenoy, 1997, p. 836, referring to Dunn, 1990). What it inevitably means is that human beings (again in western industrialized societies) are more widely in danger of being treated as resources which can be disposed of when ineffective. These increased pressures are arguably less the fault of HRM and more one of the questionable consequences of global capitalism.

The present study attempts to study whether (some of) the rhetoric of HRM, given these conditions, can be corroborated even in the most favorable of circumstances. The current research task is thus the exploratory formulation of a model enabling us to begin to test alledged mutual intra-organizational benefits implied by the HRM rhetoric. Nevertheless, whether we should talk about mutual benefits at all or simply exploitation can still be debated.

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thus his analysis has the downside that many philosophical analyses tend to have (see e.g. the discussion in Kukathas and Pettit, 1990, pp. 92-118). Nevertheless, his arguments can serve as a guideline for reflections on what justice is. A dialogue on this issue is bound to continue but remains outside this thesis.

<sup>142</sup> In fact, some of the argumentation by Keenoy can be seen as partly permeated with similar academic needs of legitimation which, as Legge (1995b) argues, promoters of HRM are victims of. We can never get rid of academic territorial battles of existence. But this fact does not invalidate researchers efforts to look for empirical evidence of claims made within such battles. On the contrary, such efforts are all the more critical.

### 5.1.1 HRM and exploitation

At least Marx's romantic idea of non-exploitation has arguably to be given up. This idea, i.e.

“[t]he assimilation of social labour to the model of autonomous activity in the sense of creative self-realization could derive a certain plausibility at most from the romantically transfigured prototype of handicraft activity...”  
(Habermas, 1987, p. 65).

As we see it, the problem with Marx's more general idea of exploitation (related to surplus value) is the very evaluation of the value of the work done by different categories of stakeholders. This problem arises as soon as we acknowledge that the world is not a simple world of (generalizable) equally productive *active* workers and *passive* capitalists and that it is very difficult to fix the value of any labour to the amount or some fixed notion of qualitative aspects of input in a system of production. The problem is also complicated by the fact that how we distribute any generated capital seems, as an empirical fact, to affect the vitality and (material) well-being of societies in complicated and still insufficiently known ways. The difficulty of determining the value of different types of input by different stakeholders is of course solved in more or less capitalistic societies by treating it as largely a function of supply and demand, albeit still in a complex combination with different political decision making processes<sup>143</sup>.

Disregarding explicitly marxist ideas about exploitation, the idea of (strategic soft) HRM is of course not a development away from the more straightforward idea of exploitation in terms of 'getting the most out of employees'. Rather it seems to be (as people management arguably always has been) an attempt to alter the conditions under which such exploitation takes place. HRM is intra-organizationally trying to increase the value of the workforce supply. Whether HRM ameliorates the conditions of exploitation and/or merely intensifies them is a debatable question. However, to criticize HRM *per se* for intensifying work, we argue, would seem to be to bark under a small branch of the right tree. Depending on the kind of HRM, it could also be to bark under the wrong tree. Although there certainly seems to be a complex interaction, it seems to us to be the capitalistic system which largely drives employee management forward.

If we distance the possibility of non-exploitation in the above more straightforward sense, then the question of exploitation can be approached (at the manifest level) as an empirical phenomenon. It can be viewed as empirical in the sense of how employees react to rewards, influence, competence, employment security etc “under the rule of HRM”. That it is not an empirical phenomenon in an ‘empiricist’ atheoretical sense is evident in terms of the common accusation that

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<sup>143</sup> That there may be barriers to the (necessary) capitalist expansion is argued by Marxists (for a recent example, see Hardt and Negri, 2000, pp. 222-224). The determination of the value by different stakeholders largely by supply and demand will reflect any such nearing limits to the expansion of “the capitalist system”. We will not speculate as to what will happen if or when such expansion comes to an end.

“bourgeois studies..., in accepting the face value of workers’ responses to surveys and interviews, disregard their conditioning by the underlying ‘objective’ structure of productions relations” (Willmott, 1993, p. 691).

It is evidently such conditioning which different critical social constructivist accounts of social phenomena try to come to grips with. However, there are intensified methodological problems (but a priori no impossibilities) in justifying any accounts along the lines of “false consciousness”. Such attempts have to explain away or (re)manipulate large parts of the manifest empirical world, instead of relying on it as providing empirical data. The general problem seems, however, still to be the pragmatically plausible available alternatives for organizing societies.

Both the problem of taking employees’ perceptions for granted and the question of a differentiation between employees with different bargaining power are well described by Hancock (1997). He offers an eloquent critical interpretation of a “new style management” (Parker, 1997, p. 75) along the following lines:

[the new style managerialism or ‘clan’ model] subsumes the individual within an artificially imposed and instrumentally oriented collectivity, which is itself premised upon an artificial and narrowly constructed concept of ancestral or familiar duty...[the] priority placed upon ‘symbolic means’ as the key to the cohesion of organizational life suggests the apparent decline of the legal/rational basis of authority which, as Weber noted, is so characteristic of a modern and, implicitly, democratic society [Hancock, 1997, p. 102]...it increasingly appears plausible that organizational employees are being re-absorbed within what is indeed a haze of medieval-like symbolic mysticism... the requirements of flexible, technology-driven organizations have produced the need for a neo-feudal version of the (male) vassal class [in the form of core employees], with incentives such as company health care, housing and profit sharing schemes, and even a ‘job for life’ as implied by ‘promises’ of no voluntary redundancies, increasingly resembling the efforts of feudal lords to ensure the loyalty of their key vassals through the bestowing of honours and, later, life-long fiefdoms [ibid., pp. 103-104]...Driven by...instrumental imperatives, [the new style management]...seeks to manipulate individual subjectivity as a means of continually engineering what are now viewed as prerequisite levels of ‘normative consent’ within the (post)modern work-force [ibid., p. 105]...what is at stake here...is a new state of dependency [ibid., p. 108]”.

This is one of the bleak pictures of the context of HRM which receives further relevance in terms of the arguments offered by Bauman (1998/1989; see below). Although HRM, as we have defined it, is not identical to this ‘symbolic management’ it would probably be painted by much the same brush by Hancock. As we argue, the means of ‘symbolic level’ managerialism are not in themselves reproachable, it is the ends of this managerialism which are in question. Descriptions like the one given by Hancock are arguably a symptom of the current difficulties involved in initiating a critical discussion of the causes of such ends. These difficulties in turn are due to the current apparent lack of viable politically and socially plausible alternative theoretical landscapes which could offer a counter-force to global capitalism<sup>144</sup>. The ends of ‘the new style managerialism’ and those in general dictated by the competitive struggle

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<sup>144</sup> For some reflections on the consequent difficulty of the search for alternatives to current forms of HRM, see Janssens and Steyaert, 1999, p. 371-383).



should however have to comply with some reasonable ethics. To the extent that Hancock's description is even close to being right, this is a clear challenge.

Conditioning by some form of symbolic communication is inevitable in any social action and it is a technique which organizations, and HRM in particular, are involved in deep up to their necks. As has been stated earlier, in this thesis we accept whatever (unconscious) conditioning there is as an inevitable consequence of the competitive pressures in the capitalistic system. What we try to do is to study and analyze relations between conditioned and constructed (or manipulated if you will) employee perceptions of these practices.

The decision as to what knowledge to pursue and how is, as we argued in chapter 2, a difficult ethical-pragmatical-political decision. Capitalism (in some form) promises a relatively better future for all. Despite its recent "victory" more and more people arguably tend to have become sensitized to the precarious and perilous nature of it. Even without marxist arguments, the *utopian* character of capitalism would seem to have vanished, to all but some of its most forceful protagonists. The normative dispute with reference to what is left of capitalism's promise (and alterations of this and alternative promises) is likely to continue despite some rather speculative claims as to the end of history (Fukuyama, 1989, 1989/1990). This debate is likely to continue simply because of the complicated nature of human social processes:

"Just as, for Marx, capital alienates while it produces, organizes life within the workplace and atomizes life in civil society, so, for Foucault, power[knowledge] simultaneously empowers and represses, and, for Weber, rationalization simultaneously increases efficiency and dehumanizes" (Marsden and Townley, 1996, p. 671).

Nevertheless, as there in our view hardly is a viable alternative to capitalism in some form at least in the short term, it still seems of interest to pursue knowledge also related to "manifest" organizational phenomena. Thus, as earlier specified, the purpose of the current empirical research project is to study how employees (and organizations) in knowledge intensive contexts in highly industrialized countries react to HRM within the current capitalistic system.

## 5.2 THE CONSTITUTION OF "US"

"[T]he choice between Dewey and Foucault is not the choice between which description of organizations and its possibilities is more accurate. It is a choice between which vision under particular circumstances or discussions is the more likely to result in [morally acceptable] action. ...[we] need both Dewey and Foucault, we need both the possibility of boundless optimism for our organizational world and the flatness of Foucault's employee-waifs" (Weaver, 1997, p. 46).

The most serious problem for the HRM discourse might slowly arise from a cultural-existential critique inspired e.g. by Foucault concerning the ways in which characteristics of modern business society in various ways constitute us as human beings and/or the broader history of such constitution. In this thesis we side with the positive possibilities more akin to (albeit perhaps not as optimistic as) Dewey's outlook than to Foucault's vision regarding the janus face of "organization and administration as edification and as violence" (Weaver, 1997, p. 31).

This Janus-face is something to which e.g. genealogical analyses can sensitize people. Future public discussion, experiment, experience and critical interrogations will or can only help us decide upon the extent to which this "way of life" is existentially and/or culturally desirable and/or optional relative to what sacrifices. This seems ultimately to be an issue for democracy to decide, albeit with the help of critical thinking and interrogations (Rorty, 1991j). Foucault's notion of power/knowledge does nothing in terms of grounding one critique or another (Rorty, 1991j, p. 173-175)<sup>145</sup>. Power/knowledge is (increasingly) everywhere but has to some extent always been there. There can be interesting things to say about its working during different time periods. But as there are good reasons to give up the idea of an essence of man/woman as well as an essence of anything else (Hall, 1991; Wheeler, 2000), there is no way of opposing some power/knowledge structures without further arguments. These questions will be ethical-political-pragmatical. They have to be broadly contextual and consider a complicated array of consequences of different "choices".

Mitroff has argued that

"choices for the future cannot be deduced from economic data or from abstract measures of organizational functioning" (Mitroff, 1983, p. 3, cf Starkey, 1999, p. 181).

The author should have emphasized that they cannot be deduced *only* from this. Aristotelian images of a good life, "enacting the...ideal of the full development of human beings" (Legge, 1999, p. 256) might serve as a focus imaginarius but is still obviously romantic and limited in the world of organizations. The same applies to conceptions of human beings as (through and through) "becoming" (Steyaert, 1998, p. 5).

"The ethical justification of the market rests on the value we place on autonomous individualism – the right of the individual to freely exercise choices as long as those choices do not prevent others from exercising similar rights" (Legge, 1999, p. 260).

This very statement includes the whole complexity of the (abstract) network(s) in which "autonomous individuals" are embedded. Individuals can arguably never be

"free to pursue the satisfaction of their own preferences, to have projects of their own that define their own identity and humanity" (ibid., p. 260)

*within* organizations compelled to compete in a capitalistic system. The extent to which individuals can do this *outside* organizations or by choosing alternative organizations in whose activities they take part is arguably one sign of a civilized society. Within any organization this freedom is necessarily limited. The idea of strategic soft HRM is that increasing this freedom within any organization and its constraints can be beneficial to both employees and organizations. It may be that it enforces (some) individuals to develop "a workaholic lifestyle before collapsing into

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<sup>145</sup> Already the philosopher David Hume (1711-1776) tried to convince us that there is no uncomplicated derivation of an 'ought' from an 'is'. It is however clear that if we know what *good is*, then in this sense "an 'is' premise can entail an 'ought' conclusion" (MacIntyre, 1988, p. 321, cited in Townley, 1999, p. 293).

‘burnt out’” (ibid., p. 256). This is an empirical proposition for which there is some evidence and which research should pursue. However, it is not a priori impossible that, given a set of contemporary exogenous influences on the pace of work, strategic soft HRM might in fact reduce the amount of stress.

Knights and McCabe sensibly argue that

“despite considerable changes, OI’s [organizational innovations] remain both a condition for, and a location for, the exercise of organizational power relations” (1998, p. 168).

There is a complicated picture to be painted of the active political influence tactics of both managers and employees in addition to the subjectivation “tactics” of the more diffused and abstract system of power/knowledge (Ferris and Judge, 1991; Ferris et al., 1999).

When Townley argues that

“the depiction of competencies produces an essentialism, a template of what is desirable behavior” (1999, p. 299),

we must not conflate philosophical questions of essence with empirical questions of focus. Templates of competencies are moving empirical frameworks and need not reflect any “essentialism” at all. Townley’s analysis would have gained interest if she had also studied moral values (implicit or explicit) involved in any complementary recommendations or practice. As it stands Townley’s argument only says that we have to look at human behavior in a holistic fashion. Thus, in so far as Townley says that competencies per se are not the only thing which matters she points to an important matter. She argues that we need to engage in

“an analysis of the power effects of practices, their implications for instilling proximity and distance and their implications for the ‘humanity’ they create” (ibid., pp. 300-301).

There will be a continuous need to do this but the moral issue of proximity and distance (ibid., p. 298) concerns much larger questions than the question of HRM. Her analysis of HRM’s (or a specific competency framework’s) relation to Nietzsche’s “pathos for distance” (ibid., p. 298) is adequate to the extent that we are producing ethically indifferent or autonomous vulgar high performance robots. There is nothing in the HRM movement per se which dictates this but it may nevertheless promote it. Townley reviews a “document entitled core competencies for Public Service Management” (ibid., p. 285), and claims that on the criteria

“self-confidence, impact and influence, organizational commitment, team leadership...there are grounds for suggesting that Hitler had a high degree of competence” (ibid., p. 288)<sup>146</sup>.

It is not absurd that we would have to admit that Hitler was competent in certain ways. People can be competent and still do wrong things. The important task for us is

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<sup>146</sup> Also Hancock refers to fascism in relation to contemporary managerialism (1999, pp. 106-107).

to keep on condemning wrong behavior, not competence. However, there are indications of a complicated relation between "wrong behavior" and "competence". Referring to one specific empirically derived competency framework, Townley reports that

"The superior performer's (according to ratings by managers) relationship to the other is more manipulative, for example, in ensuring that team members buy into goals, engaging in the communication of a vision that emotionally engages group members, or using others to influence or assist in changing opinions of the team. In all this, there is limited concern for the other. Treating the other in a reciprocal relationship based on trust and respect is associated with the average performer...the criterion of having a positive regard for others, a positive belief that people are good, was not associated with effectiveness. Nor was the ability to care about and build close relationships with other individuals. Nor was accurate self-assessment related to effective performance" (Townley, 1999, p. 297).

We have to remember that this is one empirical study and it only identifies general relationships. Presumably (hopefully) high performers come in many guises. However, it indicates that efficiency (and effectiveness?) might empirically collide with ethics. The study indicates the importance of critically discussing what such high performers accomplish. Avoiding the possibility of robotization is one of the purposes of "the conversation of mankind" or "edification" or "edifying philosophy" (Rorty, 1980, pp. 357-394 ). Even if it does not involve a general critique of the "HRM movement" per se, HRM is certainly part of the topics of this conversation, in particular if we extend the perspective of "HRM" to what goes on in kindergartens, schools, universities as well as other organizations. Townley's critique relates to a more general one advanced by Bauman (1989).

"At the heart of Bauman's critique of modern organizational design is a deep moral concern. He accuses bureaucracies of instrumentalizing morality with respect to the goals of the organization and *totally disregarding the moral substance of the goals themselves* [Bos, 1997, p. 998]...Telling somebody to simply abide by the rules and standards and threatening her/him, in case of disobedience, with dismissal or other sorts of punishments, incapacitates that person's moral instinct, renders it predictable, and directs it in a way which is assumed to be in the interest of the organization as a whole...People who willy-nilly relinquish their autonomy and replace it by what others think are, in Bauman's view, nothing less than *dangerous*" (ibid., p. 1006).

One could arguably also largely condemn much of HRM as incorporating such a "heteronomization of morality" (ibid., p. 1007). However, to some extent, in so far as morality is a social phenomenon, such heteronomization is inevitable, but should not involve the (complete) loss of integrity and other positive moral attributes. As Bos notes,

"we can only be moral subjects because we always choose how we subject ourselves to a particular rule [or with less overtones of any necessary free will, we can be moral only insofar as we discuss and are moved by moral issues]....Admittedly, managements will try to restrain this freedom [or with less overtones of free will, they try to restrain the effects of different vocabularies] and influence people's discretion with respect to rules, because this enables them to control the organization. In this sense, we may well share Bauman's rather 'agonistic'... view of organizations, but

we need not share his pessimism with respect to the outcome of the struggle" (ibid., p. 1012).

What this problematic minimally indicates is the importance of the "conversation of mankind" in order not to forget among other things "the truth about certain very important matters, like whom one can kill when" (Rorty, 1998, p. 53). These questions relate to the social nurturing of integrity and tolerance as well as e.g. individuals possibilities to realize positive moral attributes without committing 'suicide' with reference to their employability. "Most people are simply not...autonomous heroes" (Bos, 1999, p. 1010). Many things are related to this issue, among other things probably some kind of welfare state in order to reduce any employee dependencies on particular organizations. But as Bauman tries to show, modernity and modern bureaucratic organization also incorporates dangers (1998, p. 269). It is clear that many genres of expression in the conversation of mankind are important. Novels and films, but also critical writing in general, can examine

"the ethical trials and temptations that a competitive industrial order always puts in the way of those who want to become its forceful protagonists" (Coles, 1988, p. 60, cf. Starkey, 1999, p. 181).

Organizational design and HRM can be used both for morally acceptable and unacceptable purposes. Bauman's argument is that in large modern bureaucratic organizations (and societies) there are increased latent possibilities of immoral behavior. We might argue that as organizational scientists we should try to find a way of creating theories which are sensible to all the potential bad consequences. This is an old moral dilemma which arguably does not have simple solutions (Wallgren, 1996, p. 172-179).

Bos cites Bauman's argument that the Holocaust was

"fully in keeping with *everything* we know about our civilization, its guiding spirit, its priorities, its immanent vision of the world" (Bauman, 1989, p. 8, cited in Bos, 1997, p. 997, italics added<sup>147</sup>).

When referring to nazism, fascism and Holocaust in discussions about HRM (e.g. Hancock 1997; Townley, 1999), it seems important to keep certain distinctions clear concerning this issue. What Bauman refers to in the citation above are the dreams about "rationalization, planning and control" (1998, p. 137; our translation) which are inherent in modern civilization. However, even if such a dominating abstract form of guiding spirit and priorities may not rule out another Holocaust, there are fortunately still other guiding spirits, priorities and 'voices' constantly at work in order to try to prevent it as well as to ameliorate less severe wrongdoings in the world. As Bauman says, "[t]he fact that Holocaust is modern does not mean that modernity is Holocaust" (ibid., p. 138; our translation). Bauman does not claim that the Holocaust was either a necessary consequence or even determined by modern bureaucracy and instrumental rationality (ibid., p. 42). Rather,

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<sup>147</sup> In the Swedish translation (1998) of Bauman's book included in our list of references the cited passage is on page 30.

"Holocaust was a unique meeting between the old tensions which modernity overlooked, undervalued or did not succeed in solving - and the powerful tools for rational and effective action which the modern development created" (ibid., p. 20; our translation). Thus, "[t]he *possibility* of the Holocaust was grounded in certain universal characteristics of modern civilization, the *carrying out*, on the other hand, was connected to a specific and not at all universal relationship between the state and the society" (ibid., p. 123; our translation). Thus, "the *possibility* of Holocaust has not disappeared" (ibid., p. 126; our translation).

Bauman's main points with reference to this possibility is related to the sociological aspects of moral behavior and in particular the morally debilitating force of the combination of authority and the social production of distance (ibid., pp. 251-271; our translation). But he admits that he is a long way from offering a "social theory of moral behavior" (ibid., p. 269). In summary, Bauman presented a challenging analysis of the fragility of our "civilized societies" posing far reaching questions for the global society. However, to the extent that we do not conclude that trying to get anything to function effectively leads to Holocaust, we probably have to continue on all fronts, increasing both effectiveness and ethical sensibility. As there evidently is always going to be more or less severe forms of conflicts between effectiveness and ethics, this issue requires an on-going discussion.

The above critical comments and arguments remind us of the complicated nature and context of HRM and the difficulty of proper research designs and theoretical landscapes. They indicate the importance of continuing the theorizing/discussion of HRM and its consequences including potential effects on employees, organizations and societies. We need theoretical arguments, quantitative and qualitative empirical studies in many different forms, including

"Genealogical Analysis..., "Contextualized Theorizing and Re-reading..., Contextualized Story telling..., Writing (in) the Margins" (Steyaert and Janssens, 1999, p. 192-194).

In particular we seem to need to refrain from drawing any sort of overly victorious conclusions from any one form of theoretically driven empirical research as such research always tends to be very limited. There are no a priori and no simple a posteriori answers.

In summary, this thesis concerns primarily the issue of what, within the present capitalistic context, human resource management does to a limited set of aspects of organizations and employees' conscious perceptions, which are also always in a larger sense more or less societally constituted. The employees which this study looks upon are also privileged in the sense that they have not been laid off and their bargaining power is fairly high. We start to look at how HRM functions in this world as we want to try to test empirically whether HRM even in what has been argued to be the most favorable of circumstances can live up to its rhetorics. But in addition, when properly developed, something like our conceptualization could be used to critically explore (at

least at the manifest level) such investments as well as the rhetorics of the HRM discourse in circumstances which a priori appear less favorable<sup>148</sup>.

### 5.3 HRM AND THE ETHICS OF NORMAL SCIENCE

Keenoy argues, with a certain degree of irony, that

"it is reported that control has given way to empowerment, supervision has been replaced with teamwork, participation breeds involvement while alienation is being overcome through financial participation" (1997, p. 836).

Keenoy does not offer us any references here but it is no doubt highly debatable to argue that this has taken place to any large extent (see e.g. Storey, 1995; Legge, 1995; Blyton and Turnbull, 1992). The degree to which organizations, in particular organizations having more freedom to choose, have adopted progressive soft HRM related practices seems in fact far from being overwhelming.

"What was thought to be potentially good, the ideal of the HRM-oriented non-union [new] establishment where the interests of the staff were taken seriously, has now become bad or, to the extent that it is a deliberate exploitation of a weak, non-union workforce, even ugly" (Guest and Hoque, 1994, p. 1).

But if so much as small steps in the direction suggested in the "reports" referred to by Keenoy can be detected, it seems important for researchers to stand back from the intellectual barricades in order to critically study their possible positive effects for both sides of traditional conflict, employees and employers. Again, if such effects can be detected it might encourage organizations to further pursue them.

"Many of my colleagues outside the US rightly point out that American management theories (of which HRM writing is representative) tend toward a feel-good 'win-win' perspective that leaves no place for incommensurable differences or conflict. At the same time, I find many of my colleagues, especially those in the UK, to be uncomfortable with even momentarily *decentering* conflict...Like Quixote, one may be jousting to defend the constituency of another era" (Jacques, 1999, p. 210).

Related to the "win-win" perspective Keenoy has argued that empirically HRM practices "are never 'hard' or 'soft': despite appearances, they are always both 'hard' and 'soft'" (1999, p. 13)...and refers to a claim made by Peters that Hewlett-Packard,

"having provided employment security, empowered employees to take any problem to supervision (and expect to be listened to), provided a safe and equitable working environment, given employees individual performance targets and individual pay rates - in short, having given employees all the support necessary for them to perform at the level required by the company - then, there are 'no excuses if something goes wrong' (ibid., p. 14).

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<sup>148</sup> The developed model, together with the suggested controls, should e.g. be at least partly sensitive to undesirable consequences of the degree to which "flexibility equates with work intensification and 'management by stress'" (Legge, 1999, p. 257). One could also conceive of studies which qualitatively and quantitatively tries to study whether there are differences in the moral landscapes of employees in relation to different forms of HRM.

We argue that there is a rhetorical misconception of soft HRM in Keenoy's argumentation. Soft HRM can never imply that organizations would not put any pressure on employees nor that organizations are nice places to idly dwell in. Neither does it of course imply that there should be "no excuses". We argue that conceptually soft HRM has to be compatible with a 'performance imperative'. This seems to us to be the postulated and hypothesized content of (strategic) soft HRM.

However, it is a both theoretically and empirically complicated question to what extent (strategic) soft HRM is practiced and in fact has positive effects both from the point of view of employees and employers. Even if we attempt to decenter conflict there is no unproblematic, given, "normal-scientific" language for us to adopt.

Keenoy argues that

"[i]n observing, the privileged observer interprets the phenomena in terms of his/her preferred frame of reference. Therefore what is 'seen' [is] an interpretation of the perceived projection" (1999, p. 15).

To the extent that this is true it is of course as true of any research and any research methodologies. Keenoy goes on,

"the observed is also implicated in the observer and, in so far as we act in response to our perceptions, we actively constitute and (re)create HRMism" (ibid., p. 15).

This is not necessarily so. As researchers we should always, in a "Popperian spirit" (Putnam, 1974/1991, pp. 121-137), act critically on our interpretations and perceptions, and those of others. This is as true for quantitative as it is for qualitative research methodologies<sup>149</sup>. Somewhat peculiarly Daft and Lewin argue that

"Normal science is concerned with internal validity, experimental rigor, planning, control of confounding variables, and to a lesser extent with external validity. Understanding the phenomenon beforehand makes for clean, tidy research, but the actual knowledge return will be incremental. If a researcher understands the phenomenon well enough to predict and control what happens, why ask the question? The significant discoveries, the best science, require us to be more venturesome and heretic in research and design, and to explore fundamental questions without knowing the answer in advance. The worth of the research outcome is measured by surprise. The greater the surprise, the more interesting the result, and the greater the new knowledge about organizations" (Daft and Lewin, 1990, p. 7).

Beside an interestingly naive and completely unsupported notion of knowledge in this citation, it involves a more general peculiar misunderstanding of (normal) science. This understanding of science might be the result of an arguably wrong understanding of the significance of Kuhn's writings (Weinberg, 1998, 1999). As noted in chapter 2, Kuhn himself has argued that

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<sup>149</sup> In addition, actively constituting and (re-)creating HRMism in some form is not necessarily and a priori a bad thing, which seems to be implied by Keenoy.



“At least for the scientific community as a whole, work within a well defined and deeply ingrained tradition seems more productive of tradition-shattering novelties than work in which no similarly convergent standards are involved” (Kuhn, 1991, p. 144).

However, if normal science means that we can be more or less convinced that we have the right vocabulary for a certain subfield, we do not think that there is room for any normal science in any subfield of organization science. But this does not mean that we therefore have to be revolutionary. Rather, there should be something well established and largely agreed upon before the term revolutionary is even applicable. We would argue that although there are more or less well established uses of certain vocabularies and methodologies in subfields of organization science, these cannot be characterized as normal science. All organizational scientists are still more or less grouping for relevant concepts, definitions, constructs and operationalizations. This is no state of affairs characteristic of normal science.

It seems that when arguing that “the field of organization science has prematurely settled into a normal science mindset” (1990, p. 2), Daft and Lewin equate a hypothetico-deductive approach and a quantitative methodology with “normal science”. However, to the extent that we interpret them as claiming only that we are in great need of qualitative studies, and both corroborative quantitative and critical qualitative studies concerning the (external) validity of any concepts used in quantitative research, we can agree with them.

There are many reasons to believe that social studies have to settle for much less than “normal scientific” knowledge, mostly involving attempts to make some explanations plausible in a very tentative sense. The question “[i]f a researcher understands the phenomenon well enough to predict and control what happens, why ask the question?” (Daft and Lewin, 1991, p. 7) just seems out of place for the reason that we generally do not have such understanding. Daft and Lewin seem not be alone in their assumptions as it has been claimed that also

“[p]hilosophers of science frequently write as if it is *clear*, given a set of statements, just what consequences those statements do and do not have” (Putnam, 1974/1991, p. 129).

The problems of knowing “just what consequences...statements do and do not have” in social science are of course tremendous. Obviously, apart from all the conceptual problems related to research on HRM, there is a lot going on in many organizations which seems ill suited for a strategic soft HRM approach. What HRM researchers working within empirical social science can do is to try to design studies which test as specific versions of existing or developed models of/arguments about HRM as possible (while controlling for as many other phenomena as we can perceive relevant) in order to determine what properties of HRM practices can be empirically identified and what consequences they might tend to have. Such attempts should no doubt involve “‘empirical’ and interpretative sensitivity” (Keenoy, 1999, p. 17). Keenoy may be right in claiming that

“each [social] phenomena may possess and can project a variety of mutually implicated identities” (ibid., p. 15).

What this implies is that we need integrated research, employing different methodologies, much more replication studies and replication studies including new variables (without abandoning the replicated variables), which can identify moderations and/or mediations and/or ambiguities of any potential “mutually implicated identities” that researchers can come up with. Currently, there seems to be little justification for HRM researchers to “settle into a normal science mindset”. However, there is nothing a priori wrong with at least temporarily aiming for it. On the contrary, to the extent that we believe in Kuhn, it seems highly recommendable.

In reviewing earlier empirical research below we will try offer some more justification for these arguments about the non-existence of 'normal science' even within mainstream research on HRM-performance links.

## 6 WHAT IS HRM – PERFORMANCE EFFECTS

There are by now many comprehensive literature reviews and discussions of the state of the art of empirical research on potential HRM–performance links. We will begin with a short review of such reviews.

### 6.1 EMPIRICAL EVIDENCE- GENERAL OVERVIEW

The evidence for systematic effects of combinations of HRM practices on organisational performance is not overwhelming. Mueller claims that

“the stronger evidence seems to suggest that we do not know about the link between HRM on the one hand, and improved business performance on the other hand” (Mueller, 1996, p. 762).

Also Dyer & Reeves claimed, regarding the contribution of human resource strategies to organizational effectiveness, that

“At this juncture, then, it seems that the strategic human resource management bandwagon, notwithstanding its conceptual allure, is barrelling along on a rather fragile empirical undercarriage” (1995, p. 656).

Even within the more mainstream research there has been little common understanding of how different HRM approaches should be conceptualized.

Studies of so called high performance work systems vary significantly as to the practices included... and sometimes even as to whether a practice is likely to be positively or negatively related to high performance. For example, Arthur’s (1994) high performance employment system, which he termed a “commitment” system, specifies a low emphasis on variable pay, whereas the high performance employment systems defined by Huselid (1995) and MacDuffie (1995) have strong emphases on variable pay. Another example would be HR strategies that rely on internal promotions and provide access to employee grievance procedures. Huselid (1995) and Pfeffer (1994) described such practices as high performance. Other studies (Arthur, 1994; Ichniowski et al., 1994) have included these practices as elements of more rigid HRM systems often associated with less productive unionized environments. Huselid and Becker (1995) termed these two practices “bureaucratic HR” and found them to have economically and statistically significant, negative effects on firm profitability in two different data sets” (Becker and Gerhardt, 1996, p. 784)<sup>150</sup>.

In reviewing four empirical studies designed to derive taxonomies of human resource strategies Dyer and Reeves’ general conclusion is that

the number of human resource management practices measured in these studies varies from a low six...to a high of eleven...there are twenty eight different input measures across the four studies... only three show up in

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<sup>150</sup> Later Becker and Huselid have argued, both on conceptual and empirical grounds, that these two policies are perhaps not generally appropriate for an HPWS approach (Becker and Huselid, 1998, pp. 76-77).

three of the four studies. Twenty-two of the twenty-eight human resource practices appear in only one study<sup>151</sup> (1995, p. 658).

As Boxall observes, Dyer and Reeves (1995)

“suggest that there are simply not enough studies which examine the impact of HR strategies on performance and there is too much variation in how the models are defined (in terms of both practices and desired outcomes). This is a fair assessment on both counts” (Boxall, 1996, p. 64).

Thus, despite the growing research from a more macro-analytic perspective explicit corroborations of the link between holistic HRM systems and organizational performance is “quite limited to date” (Becker and Gerhardt, 1998, p. 70). In particular, despite some evidence for such a link the attribution of performance effects to HRM systems still lacks an empirically corroborated understanding of the potential mechanisms involved. Becker et al. admit that we do not know “how [an HRM] system creates that value” (ibid., p.40). Until we know that<sup>152</sup>, one tends to remain sceptical as to causal directions between organizational performance, HRM systems, and other potential variables.

“Without intervening variables, one is hard pressed both to explain how HRM influences firm performance and to rule out an alternative explanation for an observed HR-firm performance link such as reverse causation” (Becker and Gerhardt, 1996, p. 793).

Yet many articles, somewhat prematurely it might be argued, assume and emphasize the importance or even criticality of HRM due to increased (global) competition. HRM might be important but we do not yet have much evidence of/agreement on anything generalizable in terms of what aspects of HRM that would be critical and in particular how such aspects would have an influence. The mainstream idea of HRM necessitates evidence of performance effects (Becker and Huselid, 1998, p. 70). Without this, the idea will have a much more fragile ground to stand on. The difficulty of providing such evidence (at some level of abstraction), backed up by convincing theoretical arguments, is a curious predicament as it may seem almost obvious that the way organizations treat and utilize their workforce should have consequences<sup>153</sup>.

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<sup>151</sup> The situation is actually worse than this. Not only do the practices included in different studies vary, there is in addition considerable variance in how these practices are measured. Thus, researchers are far from an agreement on what we actually mean with any one HR practice and thus what we refer to when we discuss HRM. “To date, the relevant literature is distinguished by the fact that virtually no two studies measure HRM practices in the same way” (Delaney and Huselid, 1996, p. 967). Even further, the construction of HRM system variables as well as variables related to internal/external fit vary considerably.

<sup>152</sup> It is plausible that there is not going to be a simple answer to this question.

<sup>153</sup> Of course, even in the absence of such evidence firms will continue to deal with HRM related processes and many of them are important simply in order to avoid collapse and keep the organization running. But the allocation of substantial, and even uniquely substantial causal influences on competitive advantage of HRM related processes seem to remain an intuitive matter.

## 6.2 RECENT EVIDENCE

The evidence of consequences of the HRM practices is diverse, fragmented and debatable to the extent that any attempt to review the empirical evidence is confronted with a choice: (1) present a short review conveying almost no information. (2) present a long and complex review enabling us to form some judgement as to what these studies have shown or not shown. We have chosen the second alternative<sup>154</sup>.

Becker and Gerhardt claim that only

“Huselid and Becker (1995, 1996, 1997) and Delaney, Lewin and Ichniowski (1989)<sup>155</sup> have attempted to develop a comprehensive firm-wide measure of an organization’s HRM system” (Becker and Gerhardt, 1998, p. 63).

Arthur (1994), Ichniowski et al. (1997), MacDuffie (1995), and Youndt et al. (1996) also “adopted a broader measure of the HRM system, but one that is necessarily circumscribed by their analysis at the plant level” (Becker and Gerhardt, 1998, pp. 62-63). However, they argue that

“each of these approaches, while somewhat different, usefully contributes to the cumulative empirical literature” (ibid., p. 63)<sup>156</sup>.

To the above list of studies we will add Delaney & Huselid (1996), Delery & Doty (1996), Becker and Huselid, (1998b). We will also review some research which has explored effects of HRM on potential intermediate level outcomes (Ogilvie, 1986; Guest and Hoque, 1994; Guest and Conway, 1999).

Becker and Huselid plausibly argued that analyses

“focusing on just part of the HRM system risk overstating the effects of those individual policies by capturing part of the larger HRM system effects” (1998, p. 62).

In fact, Ichniowski et al. (1997) offered some empirical evidence for this claim. Thus we will restrict our review mostly to studies and analyses focusing holistically on HRM practices at a system level<sup>157</sup>.

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<sup>154</sup> Since this review was written, Wood (1999) has been published. It is also a fairly long and thorough review which seems a good complement to the one presented here. It is somewhat more reader-friendly as it does not in certain respects go into the same detail.

<sup>155</sup> This work was not at our hands so it will be excluded from the review. It is not published in a scientific journal.

<sup>156</sup> In fact, as argued above, detailed industry level studies are probably one important way to proceed in HRM research.

<sup>157</sup> It is clear that research ideally should try to sort out the degrees of effectiveness of individual practices in particular related to different intermediate outcomes.

We will review the evidence by topic in terms of the effects of the "universalistic" HRM system, the effects of internal fit, the effects of external fit, the effects of holistic or configurational fit, as well as the evidence for intermediate mechanisms, each in turn. It is symptomatic of the theorizations/evidence that Guest (1997), Wood (1999) and the present review utilize somewhat different categorizations of the evidence.

As our interpretations of the empirical studies often problematize and diverge from the respective authors' interpretations we will for the sake of balance at the end of each review also present the conclusions of the respective authors.

### 6.2.1 HRM system: HRM as a set of practices

Huselid (1995) and Huselid and Becker (1995, 1996, 1997) have done a series of studies utilizing more or less the same basic approach, building upon and developing it in subsequent studies. They have also been engaged in methodological discussions.

**Huselid (1995)**, in terms of a sample including a wide range of organizations in the United States, studied the relationship between two indexes of HRM practices on employee turnover, productivity and financial performance<sup>158</sup>. The 'employee skills and organizational structures'-index but not the 'employee motivation'-index was significantly related to employee turnover (*ibid.*, p. 657; Models 1-3)<sup>159</sup>. Entered separately, both indexes were significantly related to productivity. When entered at the same time only the employee motivation index remained significant (*ibid.*, p. 658; Models 4-6). Without controls in terms productivity and employee turnover, both indexes were significantly related to a measure of Tobin's q (*ibid.*, p. 660; Models 7-9). With these controls included, only 'employee motivation' remained significant (Model 10). In relation to a measure of gross rate of return on capital (GRATE) only the index for 'employee skills and organizational structures' was significant (*ibid.*, p. 661; Models 11-14). Generally the delta  $R^2$ 's of the HRM indices were low<sup>160</sup>. Because we will problematize Huselid's mediational analyses below, only the results of HRM's influence on Tobin's q and GRATE in terms of Models 10 and 14 are relevant.

Huselid reported evidence of mediation effects of employee turnover and productivity on financial performance (*ibid.* pp. 662-663). Huselid (*ibid.*, p. 662) refers to the criteria for mediation effects provided by Baron and Kenny (1986). However,

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<sup>158</sup> Although identified through an exploratory factor analyses (*ibid.*, p. 645), the items in these two indices do not represent conceptually clearly interpretable dimensions. Rather many of the items conceptually would seem to influence both employee motivation and skills. In addition some of Huselid's original HRM items had to be excluded altogether because of not loading on either factor.

<sup>159</sup> Huselid did not distinguish between voluntary and involuntary turnover.

<sup>160</sup> Huselid has a vague caveat for this (see *ibid.*, pp. 657-661; Tables 3, 4, 5, and 6) downplaying the fact that what a regression analysis does is to estimate the impact of an independent variable while controlling for a host of other variables. Huselid's analyses indicate that after the inclusion of his control variables the variance explained by the HRM indexes are simply very small. However, Huselid split up the HRM items in two conceptually not entirely convincing indices. Because of this his results may all have underestimated the total and integrated effect of HRM practices.

according to these criteria Huselid was in fact only able to establish one very weak mediation effect.

With reference to employee turnover, the 'employee motivation'-index was not significant (ibid., p. 657, Models 2-3). With reference to productivity, the 'employee skills and organizational structures'-index was not significant (ibid., p. 658; Model 6). Huselid's following analyses are somewhat obscured by the fact that in Model 10 and 14 (ibid., pp. 660-661) he included both of his mediators at the same time while these were not significantly related to both of the independent variables.

In any case, with reference to Tobin's q the effect of 'employee motivation' does not show any tendency of being mediated (ibid., p. 660, Models 9-10). Further, the influence of employee turnover on Tobin's q in Model 10 is miniscule and this was the only meditational possibility left for 'employee skills and organizational structures' on the basis of Models 3 and 6.

With reference to GRATE the mediator in terms of employee turnover simply had no effect (Model 14). As this was the only mediational route left open for 'employee skills and organizational structures' (on the basis of Models 1-6), there is simply no evidence for a mediated influence of the latter. Also the (mediated) influence of 'employee motivation' on GRATE can be excluded since in Models 12-13 it is simply insignificant.

In summary, the only evidence for a mediation with reference to HRM's influence is the apparently miniscule mediational role of employee turnover with reference to the relationship between 'employee skills and organizational structures' and Tobin's q. However, also this mediation is somewhat ambiguous since both productivity and turnover were entered simultaneously in Model 10<sup>161</sup>.

Huselid utilized a fairly large amount of controls "based on a careful review of the prior empirical work" (ibid., p. 653), but no controls for other cultural level organizational/management processes. This may have left heterogeneity biases undetected.

Huselid also performed some calculations of the practical significance of the HRM practices. However, these calculations are based upon standard scores of the HRM practices (ibid., p. 654) and are thus difficult to give any precise meaning to<sup>162</sup>. Even more problematically, Huselid's calculations are based on some significant results and some insignificant ones (ibid., pp. 656; 658). Finally, there may also have been

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<sup>161</sup> These conclusions are based on the criteria provided by Baron and Kenny (1986) referred to by Huselid. To the extent that these criteria are not adequate it may be possible to draw some other conclusions. In addition, as already noted the mediations of HRM's influence may have been underestimated by the fact that Huselid split up the HRM system in two variables. In any case, what is clearly missing in Huselid's analyses is the reporting of the significance of the indirect effects.

<sup>162</sup> In fact, Huselid nowhere tells the reader exactly how each practice was measured, e.g. whether 'proportion' which figures in many items of the questionnaire (ibid., p. 646) referred to a Likert scale or percentages. Likert scales would mean that it is difficult to interpret Huselid's calculations of the practical influence of the HRM variables.

problems with simultaneity bias (reverse causality) which makes the calculations of the practical influence of HRM even more questionable.

The results of Huselid (1995) are described by Becker and Huselid as demonstrating the effects of shifts in HRM practices (1998, p. 72). However, we have to remember that such “shifts” refer to what is measured. The variation in the independent variables are not related to the content of HRM practices per se but rather to the extent of application throughout the organizations of a set of formally identified practices. Thus Huselid does not analyze the effects of the extent to which variation in the content of employment practices or employment approaches can explain outcomes. The analytical focus is thus somewhat different than that of some of the other studies reviewed here<sup>163</sup>. But to the extent that we can approve of the methodological aspects of Huselid’s analyses, they do give some indication of the possibility that the wider in the organizations certain formally defined HRM practices are applied, the better the outcome in terms of certain financial results will be.

Huselid himself concludes that

“[a]cross a wide range of industries and firm sizes, I found considerable support for the hypothesis that investments in such practices are associated with lower employee turnover and greater productivity and corporate financial performance... The impact of High Performance Work Practices on corporate performance is in part due to their influence on employee turnover and productivity (1995, p. 667).

**Huselid and Becker (1996)** consider some methodological problems related to research on HRM-performance links. They used statistical techniques on panel survey data to test whether there might be lagged effects and/or a heterogeneity bias in their cross chapteral analyses, in particular in Huselid (1995).

In this study Huselid and Becker also used a conceptually more acceptable HRTOTAL measure of the HRM practices. There was also statistical reasons for this measure as

“the hypothesis that the two coefficients of the two HR management system dimensions [used in Huselid (1995)] were equal could not be rejected” (Huselid and Becker, 1996, p. 413).

This total measure of HRM was significantly related to Tobin’s q based both on data from 1991 and 1993. The relationship between GRATE and 'HRTOTAL' was significant only in the data from 1993 (ibid., p. 413)<sup>164</sup>.

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<sup>163</sup> As noted, the whole problem of how to measure the HRM practices is still precarious (Wright and Sherman, 1999, p. 68). Using similar measures to those in Huselid (1995), Becker and Huselid comment that “[o]ur measures of a “high performance” HRM system is not designed to necessarily reflect what is new or faddish, but rather to capture the “performance dimension” of any HRM policy” (1998b, p. 13). However, any such formal definitions of HRM practices as used by Becker and Huselid (1998b) and Huselid (1995) nevertheless do neither allow for “any” HRM policy nor account for the potential importance of variation in the implementations of HRM systems.

<sup>164</sup> The difference in the coefficients between the 'HRTOTAL' and the two separate dimensions of the HRM system are somewhat difficult to interpret. In the data from 1993, without controls, the employee



Huselid and Becker sensibly argue that it is important to control for

“the existence of unmeasured management practices that are both positively correlated with [HRMsystems] and firm performance “ (1996, p. 403)<sup>165</sup>.

This is the case in particular as

“[T]here is considerable evidence in the business press that firm reputations for a wide range of management practices are highly correlated [reflecting either genuine correlations or halo errors]” (ibid., p 403).

However their test (pp. 403-404) of a heterogeneity bias is somewhat unsatisfactory. Their conclusion is that

“attenuating effects of measurement error [which are potentially exacerbated in panel estimates (p. 404)] in the panel data are approximately equal to the positive heterogeneity bias” (ibid., p. 417).

This conclusion is based upon insignificant coefficients in the fixed effect model (ibid., p. 415) and an estimation of the effects of measurement error the problematic nature of which is acknowledged by the authors (ibid., pp. 416)<sup>166</sup>. Further, as they acknowledge the test in terms of the fixed effects model

“turns on the assumption that *other* firm characteristics that may be reflected in the cross-sectional estimates...are fixed over time, while HR strategy is not” (ibid., , 420).

It is exactly this assumption that we would like to see a control for. In fact, as they did not include (any) control variables in their tests related to within firm variation, they cannot exclude the possibility that some heterogeneous influences may have affected the results of their panel estimates.

Huselid and Becker also tested for a potential explicit lagged effect of the HRM system. Although there were indications of such an effect (pp. 418-419), 1 or 2 years seems still to be too short a period for a true test of lagged effects. This is acknowledged by Huselid and Becker (1996, p. 418). In addition the tests of lagged

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skills and organizational structures dimension had greater effect on GRATE than 'HRTOTAL' had. The employee motivation dimension in turn had greater effect on Tobin's q than 'HRTOTAL' had (ibid., p. 412). This seems to indicate some problems with the HRM system measures.

<sup>165</sup> Such unmeasured management practices might include e.g. organizational, superior and co-worker support related variables, justice related variables or whatever variables (conceptually more unrelated to HRM practices) that researchers have found to influence organizational performance.

<sup>166</sup> They acknowledge that the method they more ideally should have used in correcting for the influence of measurement errors "require more than the two periods of data available in our sample" (Ibid., p. 405). Therefore they estimated the measurement errors separately drawing on Cronbach's alphas for the HRM practices scales. As we will argue below, it is far from clear that Cronbach's alphas are applicable to HRM system constructs since the HRM practice items should arguably be seen as causal indicators. Finally, Huselid and Becker acknowledge that their calculations of the estimates corrected for measurement errors are "likely to yield biased estimates because the control variables have been omitted" (1996, p. 416).

effects did not include the same set of control variables (ibid., pp. 411; 419). Nevertheless, in their discussion Huselid and Becker draw the conclusion that the relatively much greater lagged effect on GRATE than on Tobin's q could partly be due to

“accounting convention, where investments in HR management systems are fully expensed in the current period, while their benefits can be reasonably expected to be realized across multiple periods” (ibid., p. 419).

As the benefits seem to diminish in 1993 compared to 1992 such conclusions seem unduly speculative. In addition, this argument suddenly assumes that a *large* part of the HRM measures reflect investments in the very year of 1991 (and the results would indicate that their main effect comes in one year and then diminishes). We are simply not given any reason to believe that there would have been large scale changes in the HRM practices, but no relevant changes in any other phenomena potentially influencing organizational performance, in the very year of 1991. There seem to be no reason for that assumption, in particular as Becker and Huselid in a later similar study argue that they assume they are observing equilibrium relationships.

“Even though we measure the HRM system in 1995, it does not imply that the system was implemented in 1995” (1998b, p. 5).

This assumption would seem to put in question the whole idea of testing for lagged effects in such a study. However, Becker and Huselid later argue that the lagged effects they reported in the study under review

“provide additional confidence that the positive HRM-firm performance relationships is not simply attributable to reverse causation” (1998, p. 73).

Also Delaney and Huselid (1996, p. 966) justify their conclusions in relation to this evidence. Nevertheless, this evidence does not show that it was not the better performing organizations which had adopted HRM more extensively and that it was not something (other than HRM) which made them perform well in 1991 and even better in 1992 and 1993<sup>167</sup>.

Huselid and Becker themselves make basically very cautious conclusions from this study arguing that what is really needed is the inclusion of better control variables and intermediate mechanisms in future studies (1996, p. 419-420).

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<sup>167</sup> Simultaneity bias (reverse causality) is conceptually closely related to the heterogeneity bias but nevertheless a different phenomenon. Heterogeneity bias (control bias) refers to other variables being responsible for some of the effect allocated to (in this case) HRM practices. A simultaneity bias refers to actual reverse causality with respect to the dependent variable. Both phenomena would lead to wrong identification of causalities. Because there are a multitude of organizational processes with potential lagged effects and because of potential feedback processes from good performance, the test for lagged effects is in itself not a test for either heterogeneity or simultaneity bias. Through a longitudinal study with more than two or three observations at different points in time analyzing the effects of lagged changes in variables, we could minimize the risk for potential heterogeneity and simultaneity biases. Alternatively, we could also reduce the risk of wrongly attributing causality due to either heterogeneity or simultaneity biases by using proper controls and identifying specific intermediate mechanisms. The latter possibility will be attempted in our empirical study.

**Becker and Huselid (1998b)** used a similar sample, similar respondents and kinds of measures as the earlier studies by Huselid (1995) and Huselid and Becker (1996). However, they further broadened the HRM system measure (Becker and Huselid, 1998b, p. 7). In addition they included more explicit measures of external fit which we will return to below. Relating this study to earlier studies Becker and Huselid argue that

”[R]eplicating the HRM system – firm performance relationship with a different measure in a different time period is important support for these prior empirical results” (Becker and Huselid, 1998, p.10) <sup>168</sup>.

Becker and Huselid also mention that the effect of the HRM system variable falls by about 40% when taking into account their Implementation Alignment measure. They argue that

“[t]his is not astonishing given the substantial correlation between the HRM System and Implementation Alignment variables. This suggests that in prior research part of the positive effects of the HRM system on firm performance may have reflected the aspects of other organizational policies that leveraged the influence of the HRM system” (Huselid, 1998, p. 10-11).

By “other organizational policies” they refer to the items included in their Implementation Alignment index<sup>169</sup>. Becker and Huselid (1998b) conclude that

“we found a uniformly consistent support for a strong positive relationship between the presence of a HPWS and firm performance...the point estimates were economically meaningful [and]...consistent with earlier work that has examined the HRM system-firm performance relationship” (ibid., p. 13).

For us the above results confirm our conviction of the importance of achieving theoretically motivated agreement on relevant practices, variables and questions of measurement. It also indicates the potential importance of controlling for many more phenomena than what has been done in research so far. Depending on what we control

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<sup>168</sup> It would seem that replication using (at least) the *same* measures would be even more important. In addition, the epistemic relevance of replication studies is also largely related to replications by independent researchers (Tsang and Kwan, 1999, p. 765). Tsang and Kwan provide a taxonomy of different types of replication studies (ibid., pp. 765-768). Based on their arguments, an additional weak point with Becker and Huselid’s (1998b) replication is that it mixes replication in terms of conceptual extension on the one hand, and generalization and extension on the other hand (ibid., pp. 767-768). It would be important to begin with exact replications (ibid., p. 765). Although, one could argue that HRM research is still in a too early exploratory stage to warrant replications in any form (ibid., p. 771), they would seem to be important before far reaching conclusions are being drawn.

<sup>169</sup> However, whether these should be competing explanations is questionable. Some of the variation in the effectiveness of the HRM system as measured by their Implementation Alignment variable is arguably *contained* in the variation of the HRM System index *and vice versa*. Thus to some extent these two measures are overlapping (measuring the same thing) rather than independent. As already described, we propose a different conceptualization of both the substance of and the relation between the HRM practices and external alignment. By analyzing the indirect effect of an explicitly and independently identified strategic fit we would arguably achieve a more appropriate idea of its explanatory role.

for and how we specify and measure HRM practices and related phenomena in an HRM theory of organizational performance, we might apparently receive very different results. Plausibly there are a host of other organizational policies and phenomena which might be highly correlated with any HRM practices or "organizational policies" than the ones so far controlled for in research on HRM<sup>170</sup>.

**Youndt et al. (1996)** analyzed a sample from the metal-working industry in the United States. This study includes performance data as averages of multiple respondents answers at two different points in time. They asked functional and general managers about HRM "systems used in their organizations" (*ibid.*, p. 847) apparently in relation to production workers (*ibid.*, p. 850). They did not report the exact items related to the HRM practices but they grouped the items into two indexes, i.e. a "human capital enhancing HRM system" and an "administrative HRM system"<sup>171</sup>.

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<sup>170</sup> As Huselid (1995), Huselid and Becker (1996) and Becker and Huselid (1998b) only analyze the direct relation of the HRM practices on firm performance (basically with no controls for other organizational processes) their calculations of the monetary values of differences in the HRM practice indices seem somewhat premature. At least some part of these effects are very likely to be due to reverse causality or heterogeneity bias. In addition, to really be able to reflect upon and assess the values reported the reader would like some more consistent information throughout the studies on the increase in market values in percent. This percentage is e.g. not given in (Huselid, 1995, p. 659). Comparable figures would enable us to assess the compatibility of the reported influences in different studies. However enough information is still provided to allow at least some comparisons. Huselid (1995) reports an increase in sales per employee of 16 % related to a one standard deviation increase in the HRM indices (*ibid.*, p. 658). In Huselid and Becker (1996), the increase in market value resulting from one standard deviation increase in the HRTOTAL index is 14%. At least these two percentages seem in principle compatible. On average (even if the particular relation depends very much on the industry, profit levels, interest rates and future expectations) it might not be too far from reality to assume that a 1% increase in sales results in a 1% increase in market value. Thus one can argue that Huselid's (1995) and Huselid and Becker's (1996) results appear quite consistent. (The calculations comparing the increases in GRATE and Tobin's q in Huselid and Becker (1996, p. 418) and Huselid (1995, p. 659) are however in a sense trivial and more rhetorical. They only confirm that the measures of performance in terms of Tobin's q and GRATE are compatible. However, Becker and Huselid (1998b, p. 13) report that a one standard deviation change in the HRM system variable resulted in a 17% (51.000 dollar) change in market value per employee. This was true when they controlled for the Implementation Alignment index (measuring external fit) and thus not really comparable to the other studies. The coefficient for the HRM system index was 65% larger when this was not controlled for (based on the HRM system coefficients in Models 1 and 2, *ibid.*, p. 11). Thus the comparable figure for the 1998b study would be  $1,65 \times 17\% = 28\%$ . In the 1998b study they used a more comprehensive HRM index which might explain some of the larger effect. But it is difficult to digest the fact that the somewhat larger HRM measure would have explained 100% more of the difference in market value (28% compared to 14%). The instability in these figures is thus some reason to doubt their meaningfulness. When such inferences are made we would also like to see the variation in interest rates to be able to assess the inferences and compare them to earlier ones. In any case the issue of reverse causality remains a question. With a more specific model including intermediate outcomes we could begin to exclude this possibility. However, it might be that the more theoretically adequate models we test the more perceptual the measures will become and thus the more difficult it becomes to interpret inferences to effect sizes in monetary terms.

<sup>171</sup> A question arises as to the appropriateness of grouping combinations of HRM practices into two indexes with no confirmatory factor analyses used to assess discriminant validity. In particular as a confirmatory factor analyses was used to test the convergent validity of all the HRM measures of individual HRM practices (*ibid.*, p. 845). We will later argue that any such factor analyses of the HRM practices is inappropriate. With reference to their grouping of the HRM practices Youndt et al. referred

Youndt et al. first reported a support for a link between a "human-capital-enhancing HR system" and performance in terms of employee productivity, customer alignment, and equipment efficiency (ibid., p. 853)<sup>172</sup>. However, based on later analyses they argued that this evidence was misleading. These universal effects seemed to have been produced by the large effects of interactions between a human-capital-enhancing HRM system and a quality strategy for all of the outcome variables (ibid., pp. 853-854, 857). This raises some general doubts as to the existing evidence for the universalistic hypothesis where such an additional analysis (either an interaction with or a control for strategy) has not been performed.

Youndt et al.'s conclusion is that

"the apparent main [universalistic] effect of human-capital-enhancing HR on performance is predominately a function of the performance enhancements obtained when firms link human-capital-enhancing HR systems with a quality manufacturing strategy" (ibid., p. 858)<sup>173</sup>.

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to "normative theory derived from previous studies on the strategic management of human resources" (ibid., p. 850). Such "theory" is however not very well articulated anywhere.

<sup>172</sup> They do not report the additional variance in these three outcomes explained by this HR system alone, only for two HRM systems as a set (ibid. pp. 854-856). The administrative HR system index had no significant individual effect on these performance measures (ibid., pp. 854-856).

<sup>173</sup> However, our points (1) and (2) below indicate that this interpretation of the results are somewhat ambiguous.

(1) On the one hand, Youndt et al.'s analyses in terms of steps 4 in Tables 4-6 indicate that *"the conditional main effect [of a human capital enhancing HRM system] is positive across the applicable levels of manufacturing strategy"* (ibid., p. 854). Although this is discussed only in relation to the outcome in terms of "customer alignment", we interpret their comments to apply also to the other outcomes. A conditional main effect for each level of the strategies is also supported in steps 3 of Tables 4-6.

(2) On the other hand, they also show some evidence in terms of plot-diagrams indicating that, with reference to the outcomes in terms of "customer alignment" and "equipment efficiency", combinations of low quality strategy and a human capital enhancing HRM system have a negative influence (ibid., p. 857). From this evidence they conclude *"that it is misleading to suggest that human capital enhancing HR has a general main effect on performance"* (ibid., p. 854). The plot-diagrams are compatible with their analyses of interaction effects. It is also quite possible that although the conditional main effects of the capital enhancing HRM system were significant and positive, these results may have been due to "the large performance impact of linking [high] human-capital-enhancing HR with a [high] quality manufacturing strategy" (ibid., p. 854) as depicted in (some of) the plot diagrams.

However, the plot-diagrams (ibid., p. 857) do not include any control variables and are thus not comparable to their regression analyses of universalistic effects. Youndt et al. did not complement their plot diagrams by proper statistical analyses (t-statistic) of the difference in the correlation coefficients for the human capital enhancing HRM system and the three forms of performance between the two groups of high versus low quality strategies (for such significance tests, see Jaccard et al., 1990, pp. 27-28, Venkatraman, 1989, p. 426). Without the significance tests we are unable to tell whether the results depicted in the plot-diagrams are reliable or simply an ad hoc result produced by very few observations.

Thus, excluding the limited reliability of the evidence in terms of the plot diagrams, Youndt et al. did not show that there were interaction effects to the exclusion of universalistic effects. If an interaction

**Delery and Doty (1996)** reported support for a link between parts of a set of *individual* HRM practices related to loan officers (*ibid.*, p. 829) and ROA as well as ROE in their sample from the banking industry in the United States<sup>174</sup>. The fact that the effect of some of the individual HRM practices were insignificant might be interpreted in at least three ways. It may simply indicate multicollinearity problems (Delaney and Huselid, 1996, p. 958). However, the correlations do not indicate such problems (Delery and Doty, 1996, p. 819). Their results may also indicate either that organizations in the sample simply did not consistently and adequately implement all the practices identified in the study. Delery and Doty's results could thus be interpreted as an indication that some formally identified practices are more difficult to implement in a meaningful and effective manner than other. This would indicate a need to study implementations and receptions of the HRM practices. Their results may also indicate that some individual practices included are simply irrelevant or at least individually insufficient to explain variation in organizational performance. In any case the results should caution researchers as to our knowledge of relevant formal specification of HRM practices and/or systems of HRM practices and indicate the need for theoretical development with reference to the influence of the HRM practices<sup>175</sup>.

Reverse causation is one possible interpretation of Delery and Doty's results. In particular since two of the three significant main effects in their analyses with reference to ROA (*ibid.*, p. 820) were related to profit sharing and employment security. These may be more likely to be practiced in organizations which do well without explaining why these organizations do well. At least a partial reverse causation seems likely.

Delery and Doty themselves, however, offer

theoretical justifications for the plausibility of their conclusions that the degree to which results oriented performance appraisals, profit sharing and a policy of employment security are practiced (visavi a specific job)

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test is positive (as it is in Youndt et al., 1996) it is not incompatible with a universalistic effect. It simply means that the effect will increase with increasing values for the moderator.

Further, what is not even mentioned by Youndt et al. is that for the outcome in terms of "employee productivity", the plot-diagram indicates that both low and high quality strategies benefited from human-capital-enhancing HR systems. For this outcome the universalistic hypothesis is thus supported both by their plot diagrams and their regression analyses.

<sup>174</sup> Delery and Doty test a somewhat different conceptualization where HRM practices are given individual importance rather the system. Although an index has its downsides it is arguably closer to most conceptualizations and arguments about HRM system level effects. We will later discuss the adequacy of indexes in more detail.

<sup>175</sup> Their results should thus caution us as to what might be buried under indexes of HRM practices which are utilized in many studies. Researchers seem to be between a Skylla and Charybdis of sorts. Individual practices may produce multicollinearity problems in addition to not really testing a system level effect. They may understate "the combined firm-level effect of ... multiple [HRM practice] measures to the extent that complementarities exist among the HRM practices" (Delaney and Huselid, 1996, p. 958). On the other hand, indexes may hide relevant information.

explain a considerable part of the variance in organizational performance among the sampled banks (*ibid.*, pp. 825-826)<sup>176</sup>.

**Delaney and Huselid (1996)** reported support for the effect of HRM practices on organizational performance in their study of profit and non-profit organizations from a nation wide sample in the United States. Their measures of performance were perceptual measures related to a multifaceted index of non-financial performance and a somewhat less complex measure of more financially related performance (the items for the latter were marketing performance, profitability, sales growth and market share) (*ibid.*, p. 956). Some of their measures of HRM practices were substantially compromised by the externally provided data-base used in the study (in particular the measure of employee participation and employment security) (*ibid.*, pp. 954-955). Their analyses included analyses of the effects of individual HRM practices which we will not consider due to the above mentioned biases such analyses are likely to involve (*ibid.*, p. 958). The inclusion of all the HRM practices resulted in only training, staffing selectivity and incentive compensation being significant in several models. Similar caveats as the ones in Delery and Doty (1996) (above) are possible. When all the HRM practices were included, the additional variance explained in either performance variable in any model (delta  $R^2$  approximately = 0.035) was lower than in the study by Delery and Doty (1996). This is to be expected since Delaney and Huselid (1996) included some more control variables. We may note that none of the significant HRM practices in Delaney and Huselid (1996) belonged to the same categories as the ones found to be universally significant by Delery and Doty (1996).

Delaney and Huselid themselves conclude that their results

“suggest that progressive HRM practices, including selectivity in staffing, training, and incentive compensation, are positively related to perceptual measures of organizational performance”(1996, p. 965).

**Arthur (1994)** reported support for the general effectiveness in terms of higher organizational labour efficiency, lower scrap rates and employee turnover of a HR commitment approach (as compared to a HR control approach) related to maintenance and production workers of steel “minimills” in the United States.

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<sup>176</sup> In distinction to Delery and Doty, Youndt et al. (1996) tested the universalistic hypothesis controlling for organizational strategy. This seems a more correct way to test the hypothesis. Strategy is arguably an important control factor. However, Delery and Doty also conducted a test of the universalistic hypothesis controlling for strategy although they do not discuss this under that description (*ibid.*, p. 822, table 5). The results of this test were to some extent similar to their plain test of a universalistic hypothesis in terms of significant individual practices (with the exclusion of employment security), however with only very weakly significant overall delta  $R^2$ 's for the HRM practices.

Neither do Delery and Doty, as Youndt et al. did, discuss whether the universalistic effect might have been largely due to a strong interaction effect with some specific form of strategy. However, the fact that none of the interaction effects were stronger than any of the significant universalistic effects (when controlled for strategy) indicates that this was not the case. Also the delta  $R^2$ 's of the interaction effects were only weakly significant (ROE) and insignificant (ROA) in these analyses (Delery and Doty, 1996, p. 823, table 5).

The employee turnover measure in Arthur (1994) did not distinguish between voluntary and involuntary turnover. The theoretical hypothesis of an influence of HRM on employee turnover would arguably refer specifically to involuntary turnover. Although a commitment approach should also be correlated with lower involuntary turnover, it should *lead* to lower voluntary turnover. Arthur was consequent in testing only differences (by performing a t-test) in mean turnover between organizations utilizing the two HR systems (ibid., p. 679). His results supported the fact that employee turnover was significantly lower in organizations employing a commitment HRM system. However, in these analyses no control variables were thus included.

Regression analyses gave some support for the fact that a commitment HRM approach "is significantly related to both fewer labour hours per tons and lower scrap rates" (ibid., p. 679). However, the overall regression model for scrap rate is not significant and "the significance of the human resource system variable in this model must [thus] be treated with some caution" (ibid., p. 679).

Arthur also found support (ibid., p. 682) for the fact that a "negative relationship between turnover and manufacturing performance...[was] higher in commitment human resource systems than in control systems" (ibid., p. 679).

A downside of this study is that the outcomes in terms of labour efficiency (labour hours) and scrap rates would arguably also depend on the sophistication/modernity of the equipment used in the mills. The absence of such controls (ibid., p. 682) favors some further caution in the interpretation of the results<sup>177</sup>.

Although nowhere explicitly described by Arthur, he apparently only utilized a continuous index of all the HRM practices in his regression analyses (and not e.g. dummy variables related to the clusters) thus not really testing differences between clusters. The advantage of actually using distinct clusters of HRM systems in testing the effect of HRM practices would be that the effects of HRM might not be linear. Testing distinct systems provides evidence as to distinct effects of more clearly distinguished approaches. A methodology of analyzing different relationships between dependent variables and clusters of HRM systems should ideally be combined with analysis of the effect of simple variation in one continuous HRM system variable. Differences in results between such analyses would provide interesting information.

Further, as Arthur does not provide any form of financial performance outcomes the study cannot present evidence as to whether the increased efficiency, lower scrap rates and employee turnover were achieved in an economically effective way.

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<sup>177</sup> One general problem with Arthur's study is that the sample is fairly small, N=14 and N=16 for the two HRM systems. Thus the reliability of the findings suffer from this. In particular, based on Lehmann's (1979) recommendation for a cluster reliability criteria stating that the number of clusters should fall in the range of N/50 to N/30, the sample seem to have been too small for extracting 2 clusters (not to mention the six originally identified in Arthur's cluster analysis). Arthur referred to some additional second hand validation tests (ibid., p. 677) which tells us something about the general intuitive validity of the results of the cluster analysis. As Arthur notes, "the pattern of scores for the aggregated clusters shows considerable face validity" (ibid., p. 677).



Arthur's conclusion is that the study supports hypotheses about

"the effectiveness of commitment-type human resource systems, at least in the context of manufacturing plants using technologically intensive and relatively integrated continuous production processes" (p. 683)<sup>178</sup>.

**Ichniowski et al (1997)**, based on a sample of homogeneous steel productions lines reported support for the positive effects on productivity and quality of increasing degrees of soft HRM related sophistication in the application of sets of internally aligned HRM practices<sup>179</sup>. We interpret this study as testing HRM system effects. They argue for the internal coherence of their different HRM systems in some more detail than e.g. Huselid (1995), Youndt et al. (1996), or Arthur (1994). However, they do not explicitly test an effect of internal coherence over and above the effects of different sets of HRM practices.

Ichniowski et al. (1997) used four groups or classes of their total set of HRM practices. The latter were justified both by prior research and their empirical sample (*ibid.*, pp. 4-6). Their measures of the HRM practices were dummy variables related to questions of whether certain types of practices are applied or not (*ibid.*, pp. 18-19, table 2). This procedure would seem to potentially involve the loss of a great deal of variation concerning the extent to which (at least some of) the specified practices were utilized. However, the measures were developed on the basis of considerable field interviews and concerned a homogeneous group of employees (*ibid.*, pp. 2-4).

Using their longitudinal data they also calculate "fixed-effects estimates" of productivity effects of changes in the HRM systems (*ibid.*, pp. 7-8). However, they acknowledge the limitation of these analyses because the amount of "changers" are scarce (*ibid.*, p. 6). Instead they argue that their controls in the cross-sectional estimates should be sufficient (*ibid.*, p. 8). If very few changes in the HRM variables occurred then the monthly cross-sectional data seem to amount to an additional control that the correlations were consistent and not only coincidental for a certain point in time. However, a similar control would seem to be achieved also through single period data from a larger number of plants.

The results of the basic equation with a set of technology controls (*ibid.*, p. 32, Table 4) seem to be stable even with the later inclusion of additional controls. These results indicate that the time a production line is effectively running and producing (=productivity) increases with the sophistication of the HRM system. The  $R^2$  (=0.40) of the whole equation gives us no idea of how much of the variation was explained by the HRM practices since no hierarchical analyses were presented. The productivity

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<sup>178</sup> In the analysis of the universalistic effect Arthur controlled for strategy. However, what he did not test is whether the overall superior effectiveness of a commitment approach might have largely been due to large positive effects of combinations of differentiation strategies and commitment HRM approaches and low negative effects of combinations of the same HRM approach with low cost strategies (compare Youndt et al. above).

<sup>179</sup> 36 production lines of 17 companies were studied using monthly panel data (*ibid.*, p. 2). An as relevant set of controls (as well as an as relevant set of HRM practices) were gathered based on fairly extensive field studies in all the organizations.

gains of the HRM systems were reported to vary in the range of 2,5-6.7% (ibid., p. 9). The effect on quality seem to have been in the same range, although with even larger effects of the most sophisticated HRM system (ibid., p. 25, table 6).

They also report evidence as to the fact that individual HRM practices can not explain variation in productivity over and above the explanatory power of the HRM system dummies and that the estimates of individual practices are biased (ibid., p. 12).

Overall considerable attempts were made to include relevant controls. Of these, perhaps the controls of manager quality seems less adequate as it was only based on tenure-type data. Tenure might not reflect essential differences in management quality. Another reason for some caution in the interpretation of the results seems to be the data.

Ichniowski et al.'s field data also suggest that there appear to be considerable barriers to the change of HRM practices (ibid., pp. 11-12). This might be interpreted as evidence for a historical path dependence in accordance with the RBV (Barney, 1991) which could make HRM an important factor for the achievement of more sustainable competitive advantage. On the other hand, it seems ultimately in this case to be a question of new site investment with new or old technology (Ichniowski et al., 1997, p. 11). This then does not amount to evidence of effects of social complexity, causal ambiguity or, in fact, the kind of historical path dependence conceptualized by the RBV (Barney, 1991).

Ichniowski et al. comment that "all our "green field" lines adopted innovative practices" (Ichniowski et al., 1997, p. 12). More exactly

"recently opened lines at "greenfield" sites, as well as older lines that had been closed but were opened with new owners and workers, are adopting innovative work practices...continuously operating lines at "brownfield" sites are still much more likely have traditional HRM practices" (ibid., p. 11).

This makes a reader suspicious that there might have been *something* in these new investments that escape the controls and accounts for the identified effects of HRM systems. Ultimately this study operates with the kind of detailed highly contextual control variables which makes it is impossible for an outside reviewer to judge their relevance. Thus we would really need independent replication studies in this case.

While belonging to the most rigorous studies in this genre, Ichniowski et al.'s study still lacks data on the employment relationship, i.e employee receptions and reactions to the implementation of the HRM practices. Ichniowski et al. are thus subject to the potential critique which argues that the increases in worker productivity might be due to

"'sweating' workers through a faster work pace, standardized jobs, social control via peer pressure and stress" (Macduffie, 1995, p. 218).

Ichniowski et al.'s conclusion that "innovative HRM systems raise worker productivity" (Ichniowski et al., 1997, p. 13) is after all inferred (albeit with an impressive list of controls) from the increased uptime in production lines with more

innovative HRM practices. There are no direct measures of either employee productivity or employee attitudes.

Ichniowski et al. conclude that

“systems of innovative HRM practices [in the steel finishing lines] have large effects on production workers’ performance, while changes in individual employment practices have little or no effect” (ibid., p. 13).

**Summary.** There is some evidence indicating a direct relationship between different forms of organizational HRM systems and/or practices and different forms of organizational performance. We will now turn to the evidence for an influence of internal fit of the HRM practices.

### 6.2.2 Internal fit: HRM as internal integration

**Huselid (1995)** used two exploratory measures of internal fit.

First, the interaction of his two indexes in terms of 'employee skills and organizational structures' and 'employee motivation' was significant and positive with reference both to Tobin's q (only weakly significant) and GRATE (ibid., pp. 664-665)<sup>180</sup>.

Second, internal fit as matching, measured as the absolute value of the difference between a firms score on the two indices, was negative and significant for GRATE but insignificant for Tobin's q (ibid., pp. 664-665). With reference to GRATE this hypothesis thus gave support for an influence of internal fit. It should however be noted that in this analysis the employee motivation index in itself was negative and significant.

This second measure for internal fit as matching amounts to a pure test of alignment in the same sense as is noted with reference to the measures applied by Delery and Doty (below), i.e. that in capturing (one form of) internal alignment, it punishes both for higher and lower adoption of the parts of the HRM system. However, we have to remember that Huselid's measure defines internal alignment in terms of the extent of applying a certain amount of HRM practices through out the organization in distinction to some form of internal alignment related to the focus or substance of the HRM practices.

His conclusion is that he found

“only modest evidence” for an effect of internal fit and he acknowledges “the preliminary nature of the measures” (ibid., pp. 669-670).

**Becker and Huselid (1998b)** develop a measure which essentially captures the proportion of HRM practices which have been relatively (arbitrarily defined) widely applied in the organizations as measured by the original HRM System variables. As

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<sup>180</sup> In effect, this measure is a multiplicative alternative to using one additive index of the whole HRM system but controlling for the individual practices.

Becker and Huselid partly acknowledge (*ibid.*, p. 8) this approach does not really capture any meaningful and explicit idea of overall internal coherence<sup>181</sup>.

Nevertheless, Becker and Huselid (1998b) analyzed the effect of two forms of their conceptualization of internal coherence. Their results indicate that internal fit among the HRM System items has a larger effect than the simple average of the HRM System items whereas internal fit among the Implementation Alignment items has a smaller effect than the simple average of these items<sup>182</sup>. Both dimensions of internal fit are reported to have significant effects on performance.

They conclude that their results provide evidence for the fact

“that internal fit within the HRM system is more important to firm performance than internal fit within the supporting organizational logic” (*ibid.*, p. 12)<sup>183</sup>.

Using a similar measurement approach as above they further tested the incremental effect of the internal fit of the two dimensions over and above the effects of the simple indexes of the respective dimensions. Here they confronted severe multicollinearity problems and insignificant coefficients (*ibid.*, p. 12) but nevertheless concluded that

“approximately two thirds of the gains from improving the HRM system comes from increasing the internal fit of the system. The gains from internal fit within the supporting organizational logic, on the other hand, are trivial” (*ibid.*, p. 12)<sup>184</sup>.

**Delery and Doty (1996)** might be interpreted as testing a hypothesis of overall internal alignment based on their classification of three ideal type employment systems (their hypothesis 3, *ibid.*, p. 812). In terms of explained variance in ROA and ROE they received no support for this (*ibid.*, p. 823).

There might be a problem in the way they constructed their ideal types. For example, tight job descriptions, extensive training and participation/voice are not evidently

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<sup>181</sup> The organizations HRM systems are allocated a value of 1 for each HRM practice on which they score higher than the 75<sup>th</sup> percentile in the sample. Becker and Huselid’s HRM system index in itself might be argued to reflect some kind of “hierarchical internal fit” in terms of average organization-wide applications of the same HRM practices. The variable explicitly characterized by Becker and Huselid as a measure of internal fit really is only measuring the average amount of those practices that are in relative terms *very* widely applied in the organizations. This measure gives relatively less consideration to the whole system.

<sup>182</sup> The Implementation Alignment items are argued to measure organizational logic or strategic fit. They involve a complex set of measures related to the perceived effectiveness of the HRM practices, the role of the HRM department and top management.

<sup>183</sup> In connection to the review of their evidence of an effect of external fit (below) we will argue that these results are somewhat puzzling. We will also problematize the general adequacy of their items related to external fit (Implementation Alignment).

<sup>184</sup> In fact, among the factors constituting internal fit of the HRM system practices, they found support for the singular importance of internal fit among the compensation policies (*ibid.*, p. 13).

coherent (ibid., p. 816). In addition, the appropriateness of results versus behavior oriented performance appraisals should be more dependent on the kind of job activities than the kind of employment system. The use of incentive systems can arguably be appropriately used in any employment system<sup>185</sup>.

In addition, there is the general problem with the study that it attempts to study organizational performance effects based on HRM practices related only to a specific job in complex organizations.

Delery and Doty also tested a hypothesis that there is one superior ideal type employment system (ibid., p. 824). They received some support (in terms of  $R^2$ ) for the fact that internal coherence in terms of a *market type* ideal employment system was superior. Considering the content of their ideal market type employment system (ibid., p. 816), this result offers no clear support for what we have called a strategic soft HRM approach. However, the simple universalistic hypothesis, more in line with such an approach, received more support in terms of explained variance than did the coherence in a market type ideal employment system<sup>186</sup>. Again, this might indicate a problem with the specification of the ideal type employment systems and/or their calculation of the internal coherence of the employment systems.

Delery and Doty conclude that

“the configurational analyses...identified a single HR configuration that resulted in better performance [in terms of the market type ideal employment system being positively related to performance]...however, the variation explained in the configurational analyses did not exceed the variation explained when the individual dimensions were simultaneously used to predict performance. Thus we cannot make strong arguments that synergy among the HR practices under investigation enhance organizational performance” (ibid., p. 827).

**Delaney and Huselid (1996)** attempted two different ways to test the effect of internal integration. One was through a scale indicating the number of practices for which each firm was above the median in the sample. This variable provided no evidence of an effect. Not even attempts to increase the sophistication of this measure<sup>187</sup> resulted in evidence of such an effect. They also attempted several partial

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<sup>185</sup> Also with reference to internal coherence Delery and Doty tested their hypothesis in terms of individual HRM practices, not in terms of a HRM system index. Delery and Doty explicitly calculated the distance for each HRM practice from an empirically derived calculation of an ideal score (ibid., pp. 816-817; 823-824). In principle, to the extent that the ideal scores can be justified, their method of measuring internal coherence is interesting.

Delery and Doty's method punishes not only for low, but also for high investments in individual HRM practices in relation to the ideal type and rewards only for internal alignment. Arguably, this is what a pure test of alignment should do.

<sup>186</sup> With the exception of tight job descriptions, the universalistic hypothesis was related to an HRM approach compatible with the strategic soft HRM hypothesis we pursue in our work.

<sup>187</sup> “[I]ncluding individual dummy variables indicating whether each practice was above the sample median, and a spline function to capture any nonlinearities in the relationship” (ibid., p. 962).

interaction effects between sets of two HRM practices. These analyses provided no evidence of an effect. Multicollinearity among the different interactions precluded inclusion of several interactions in one and the same model (*ibid.*, p. 962). The authors acknowledge that the lack of evidence may have been due to issues of measurements of the HRM practices.

**Summary.** There is thus little evidence of a pure effect of internal fit even as researchers have tried many different approaches. This supports our conceptual discussion of the insufficiency of internal fit *per se* in producing organizational performance effects. Although, Becker and Huselid (1998b) interpreted their results as clearly indicating an effect of internal alignment, we will argue below that this piece of evidence is not entirely convincing.

### 6.2.3 External fit: HRM as strategic integration

**MacDuffie's (1995)** studied a world wide sample of automotive assembly plants and put considerable effort into developing contextually relevant measures of HRM practices, performance outcomes and control variables. His HRM questions were mostly "tied to shopfloor activities at the plant level" (*ibid.*, p. 203). His outcome measures consisted of contextually well justified forms of quality (defects per vehicle) and labour productivity. His hypotheses concerned independent variables in terms of a production organization system as well as its constituents in terms of a flexible/mass production strategy, worksystems and HRM policies<sup>188</sup>.

The results show that the regression coefficients for the overall additive production organization index with reference to the outcomes of both productivity and quality are substantially higher than for any of the individual independent variables (constituting the production organization system) alone (*ibid.*, p. 212, Table 6 and p. 215, Table 8). This is indicative evidence for an effect of strategic fit or the organizational logic as MacDuffie calls it. The differences in explained variances are small with reference to productivity but large with reference to quality<sup>189</sup>.

MacDuffie did not include either of the production organization indexes in the same equation together with the constituent elements. This would arguably have been a

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<sup>188</sup> His HRM measures are in effect split up in two indexes. 'Worksystem' concerns the organization of work where he among other things includes items related to work teams, job rotation, decentralization as well as items related to employee participation. 'HRM policies' includes items related to recruitment, compensation, training and status differences.

<sup>189</sup> The greater effect size and explanatory power of the additive compared to the multiplicative version of the 'production organization index' in these analyses is interpreted by MacDuffie as calling into question "the assumption that the relationship among the component indices is best modelled as multiplicative rather than additive" (*ibid.*, p. 215). This interpretation takes for granted that good measures *should* have good explanatory power. Another interpretation of the result is that it is important to understand what these two measures in fact measure. In addition, although the regression coefficient is smaller, the delta  $R^2$  is in fact greater where the multiplicative index is included compared to the one where the additive index is included (*ibid.*, p. 212).

better test of the integrational effect. However, MacDuffie did analyze interaction effects while including also the components<sup>190</sup>.

From Table 7 (*ibid.*, p. 213) it appears that related to productivity the three way interaction term (between the independent variables) is stronger than any of the individual effects of these variables. From table 9 (*ibid.*, p. 216) it appears that this is not the case related to the quality outcome.

The standardized coefficients are generally larger with reference to the quality outcome than for productivity (*ibid.*, pp. 214-215)<sup>191</sup>. Also the differences in variance explained compared to the control equation in the quality outcome models are larger. The standardized coefficient (not shown in the tables) for the additive version of the overall production organization index is as high as 0.73 (*ibid.*, p. 215) and the delta  $R^2$  compared to the equation where only the control variables are present is as high as 0.365 (*ibid.*, p. 215, Table 8. Equation 6).

Although not commented upon by MacDuffie, his analyses also provide some support for universalistic effects of 'HRM policies' with reference to both 'productivity' and 'quality' when 'buffers' (production system strategy) and 'worksystems' are controlled for (see Equation 1, Table 7 and Equation 1, Table 9 respectively)<sup>192</sup>.

In fact, there is only a negligible difference in the variance explained in productivity by the (additive) production organization system variable (comprising the postulated organizational logic) compared to that explained by the universalistic HRM terms and a control for 'buffers' (compare Equation 6, Table 6 with Equation 1, Table 7). This might be interpreted as evidence for the fact that the effect of the organizational logic is not very substantial.

With reference to the quality outcome there is a considerable difference both in the regression coefficient for, and the variance explained by, the production organization system variable compared to the universalistic HRM terms (Equation 6, Table 8 and Equation 1, Table 9 respectively). Thus, in particular for the quality outcome we might draw the conclusion that the explanatory power of an aligned organizational logic is considerably greater than that of the two sets of universalistic HRM practices.

However, this conclusion is complicated by the fact that the variance explained by the control variables in the quality model was very low (*ibid.*, p. 215). MacDuffie acknowledges that this

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<sup>190</sup> MacDuffie does not elaborate on the difference between the three way interaction term (in Tables 7 and 9) and the multiplicative production organization index (in Tables 6 and 8). They would appear to be the same. However, when analyzing the three way interaction terms he included more controls in terms of (combinations of) the constituent components. The coefficients are thus not comparable.

<sup>191</sup> One exception is that 'buffers' or the production system index (flexible/mass production) on its own is not significant related to quality (*ibid.*, p. 215, Table 8, Equation 2).

<sup>192</sup> With respect to both outcomes the beta coefficients are considerably higher for the interaction variables than for the universalistic HRM variables. However, the HRM practices included by MacDuffie are split in two indexes. This might artificially reduce their universalistic explanatory power with relation to both productivity and quality.

"raises the possibility that the control variables are incorrectly specified in the quality regressions" (p. 218).

MacDuffie discusses the possibility that a "Japan effect" might account for the results in the study. For the quality outcome "there is little evidence of any 'Japan effect'" (ibid., p. 216). However, when he adds Japan-related dummies in the productivity model

"the coefficients for the three independent component indices, as well as the overall multiplicative production organization index, ceased to be statistically significant" (p. 216)<sup>193</sup>.

Thus, with reference to productivity the evidence for a stronger effect of an organizational logic compared to that of the universalistic HRM variables is weak. In particular when controls in terms of the Japan-related dummy variables are included the results related to the productivity outcome appears somewhat questionable. As the whole model in terms of control variables related to the quality outcome is questionable we seem still advised to interpret MacDuffie's results with some caution.

Further, MacDuffie does not capture dimensions of implementation or reception of HRM practices. His data cannot e.g. "identify nuances of team functioning" (ibid., p. 218). In particular, the employment relationship still remains outside this study. As MacDuffie acknowledges,

"[c]ritiques argue that flexible production plants achieve much of their productivity advantage by "sweating" workers through a faster work pace, standardized jobs, social control via peer pressure, and stress from a bufferless production system and "kaizen" (continuous improvement) efforts that emphasize reductions of labor input" (ibid., p. 218).

Thus, as there are no intermediate effects related to employees, the 'human' of human resource management remains unexplored in MacDuffie's study, independent of whatever else we shall conclude from his analyses.

In addition, MacDuffie's conclusion below in terms of "economic performance" is perhaps somewhat premature. He has no measures which would capture the fact that

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<sup>193</sup> Peculiarly, MacDuffie does not comment on Equation 6, Table 6 (i.e. the additive production organization index) in relation to the dummy controls (ibid., p. 216). However, "the statistical significance of the interaction effects is unchanged when the Japan-related dummies are added" (ibid., p. 216). In Equation 3, Table 7 the three way interaction term is still reported to be significant even including the Japan related dummies (ibid., p. 216). Nevertheless, some questions arise because MacDuffie does not explain the difference between the multiplicative form of the production organization index (ibid., p. 208) and the three way interaction variable in terms of the constituents of the production organization index. To the extent that they are the same variables we have the following problem: the multiplicative form of the overall production organization index was not significant when the dummy variable was entered in Equation 5, Table 6 whereas the three way interaction term in Equation 3, Table 7 was significant when entering the dummies (ibid., p. 216). This indicates some instability in the analyses. True, these two variables are entered in different equational contexts (ibid., pp. 212-213). However, the large difference in the coefficients between these variables in Equation 5, Table 6 and Equation 3, Table 7 might be due to multicollinearity problems in the latter equation. To the extent that there were such problems the fact that the significance of the interaction terms remained significant when including the Japan-related dummy variables offers less comfort.



these reported gains in productivity and quality were achieved in an economically beneficial way.

MacDuffie himself draws the following conclusions:

“Overall, the evidence strongly supports the hypothesis that assembly plants using flexible production systems, which bundle human resource practices into a system that is integrated with production/business strategy, outperform plants using more traditional mass production systems in both productivity and quality. These results provide the strongest statistical evidence to date of a positive relationship between innovative human resource practices and economic performance...[t]his study does shed light on the issue of “fit” between HR strategy and business strategy” (ibid., p. 218)<sup>194</sup>.

**Huselid (1995)** found scattered and somewhat inconsistent support for an effect of external alignment. Here some measures of strategic HRM and strategic fit even indicated a negative effect on performance. As with the measures of internal fit in Huselid (1995) the results indicate the importance of developing conceptually well argued measures. We would understand positive or simply insignificant effects but negative effects of external alignment is close to a contradiction in terms and indicates measurement problems.

Also Huselid concludes that he found

“little evidence for external fit” (1995, p. 669).

**Becker and Huselid (1998b)** developed a complex variable to measure external coherence in terms of the average perceived effectiveness of the individual HRM practices, a somewhat diverse set of behaviors and processes related to the HR department and top management. The perceptions were related to the HRM managers in the organizations. Some of the items related to specific HRM practices concerned how effectively the practices enhanced business performance whereas some of these items referred to how effectively the organizations dealt with more specific issues related to these practices. In this way Becker and Huselid tried to take into consideration the “organizational logic” (ibid., p. 3)<sup>195</sup>.

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<sup>194</sup> MacDuffie does not report a support for a general universalistic HRM hypothesis. Neither does he report support for a traditional contingency hypothesis. Rather, as MacDuffie notes, his interpretation of the results provide support for a hypothesis related to a general universalistic organizational logic, i.e. the superiority of a specific form of strategic fit which is in principle compatible with what we have called strategic soft HRM. As we shall see, MacDuffies results are also compatible with the results of Youndt et al. reviewed below.

<sup>195</sup> Becker and Huselid (1998b) go about the issue of identification of external fit in a way reminiscent of ours. They avoid any categorizations of explicit (generic) strategies. However, their measure still involve arguable problematical aspects.

In addition to items related to the effectiveness of the HRM practices, their measure of external fit includes separate items for top management behavior and HR department behavior. We feel that the latter elements (which indeed might viewed as part of an “organizational logic”) should nevertheless be used as separate and explanatory variables with reference to properties of HRM, including the property of strategic fit, rather than being included in the explicit measure of external fit. In one sense Becker

Becker and Huselid do not explicitly comment much on the results related external fit alone. They draw more on the results of a cluster analysis incorporating both internal and external complementarities to which we shall return in the next chapter on HRM holism.

However, it seems puzzling that Becker and Huselid's HRM System index has a larger effect on organizational performance than their Implementation Alignment index (ibid., p. 11, Table 4). This is not puzzling due to any a priori argument that strategic fit should have greater influence on organizational performance than any HRM system per se. Rather, the result is puzzling because the items in the Implementation Alignment index (largely) refer specifically to how effective the different HRM practices in the organizations are. Either the index seem to suffer from low construct validity, meaning that it does not really measure what it purports to measure, or something else is suspicious in the analysis. If neither of these, we would have to conclude that the very existence of the HRM practices is more important than their effectiveness<sup>196</sup>.

Although acknowledging that they received more support for the importance of what they called internal fit among the HRM system practices<sup>197</sup>, Becker and Huselid conclude that their analyses also provide support for the role of

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and Huselid's measure may be argued to confound external fit (the appropriateness of the HRM practices with reference to business strategy) and organizational logic (the elements supporting the HRM practices). Including all these phenomena in one and the same variable arguably blurs the interpretation of the results.

A more severe problem, it seems to us, is the way Becker and Huselid identify in particular the HRM areas of training and the structuring of work in terms of their effectiveness in enhancing business performance. Such effectiveness should arguably be an outcome variable measurable by other means and explained by features of the HRM system. Questions related to such effectiveness is not only capturing strategic fit but a very direct way of identifying the very effectiveness of strategic fit which they are trying to sort out by their analyses. This way of posing the questions thus introduces a tautological element into their analyses. The same problem applies to a lesser degree with reference to their measures of the other HRM practices. These are also measured by their effectiveness, albeit not with direct reference to business performance (ibid., p. 7). In particular, the formulation of the questions in combination with the choice of respondents (HRM managers) open the doors to positive biases depending on how the companies are doing financially. This problem of bias is hard to eliminate, but arguably it could be diminished by putting questions of more specific characteristics of the HRM practices to (non-)managerial employees with no stake in how the HRM processes influence organizational outcomes.

<sup>196</sup> It does not necessarily seem puzzling that the coherence of the Implementation Alignment items in fact have less effect than the simple Implementation Alignment index (ibid., p. 12). Becker and Huselid acknowledge that "sorting these two effects out is a challenge because these versions of ...[the] system measure are so highly correlated" (ibid., p. 12). In any case, Becker and Huselid's operationalization of internal alignment in this case was in terms of the arbitrarily defined proportion of (among other things) HRM practices that are relatively *very* effective. It may be that a few very effective practices cannot compensate the application of a broader array of relatively effective practices. However, any interpretations of these results are made more difficult by the fact that their Implementation Alignment index also includes other elements than the effectiveness of the HRM practices. In their conclusions (reported below) Becker and Huselid try to offer an explanation for these results.

<sup>197</sup> In fact, as already noted, among the factors constituting internal fit they found support for the singular importance of internal fit among the compensation policies (ibid., p. 13).

"external fit between the HRM system and the supporting organizational logic...[However, v]irtually no gains from internal fit were observed for the supporting organizational logic. This suggests considerably more equifinality among these supporting policies since one [very] broadly implemented support structure provides no incremental gain" (ibid., p. 14).

**Youndt et al. (1996)** reported some support for the overall explanatory power of different forms of strategic fit with reference to their performance outcomes of manufacturing facilities. More specifically a *cost strategy-administrative HRM system index* interaction was positively related to their organizational performance variable "equipment efficiency". A *delivery flexibility strategy-administrative HR system index* interaction was positively related to performance in terms of "customer alignment". Finally, a *quality strategy-human-capital-enhancing HR system index* interaction was positively related to all the performance variables, "customer alignment", "equipment efficiency" and "employee productivity" (ibid., pp. 853-856)<sup>198</sup>. To some extent the results thus confirm a true contingency hypothesis in indicating that positive effects can be achieved by different combinations of strategy and HR systems. However, the beta coefficients were generally much stronger for the quality strategy – human-capital-enhancing HR system interactions. Thus, taken together their results suggest that the largest and broadest effects of HRM are achieved under such circumstances. This latter evidence is in congruence with MacDuffie's results (above).

In an additional analysis they used cluster analysis to determine more complex combinative strategies. This seems one way, compatible to Delery and Doty's (1996) hybrid strategy measures, to try to meet the critique of generic strategy constructs which we discussed above. However, just as Delery and Doty, so conceptualized Youndt et al. received no support for the effects of strategy nor of strategy-HR interactions (1996, p. 855).

Based on the above mentioned interaction effects, Youndt et al. themselves draw basically positive conclusions related to several kinds of HRM-strategy fit effects on performance, although with the usual arguments for limitations at the very end of the article. They conclude that

in production environments where firms try to compete on quality, human-capital-enhancing HR systems designed to develop "talented and team-oriented people...create an egalitarian work environment...incorporate group incentives...use salaried compensation" (pp. 858-859) can contribute to performance<sup>199</sup> They also conclude that a fit between a cost

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<sup>198</sup> Their analyses also indicate some negative influences of what they call a scope flexibility strategy in combination with an administrative HRM system as well as a delivery flexibility strategy in combination with such a HRM system (ibid., pp. 854-855). The two HRM systems are correlated with 0.56 and the correlation between two of the strategy variables are also fairly high (0.44 and 0.49) (ibid., p. 852). Thus, one would have liked to see some arguments refuting the suspicion that there were severe multicollinearity problems in the analyses including all the interaction effects between the two HR systems and the four different strategies (ibid., pp. 854-856). Without any such arguments, the reader just have to assume that there were no such problems.

<sup>199</sup> As they use HR system indexes in their analyses all the references to individual HRM practices in their conclusions should be treated with caution. Based on their analyses we do not know whether it is a combination of the individual practices or mostly only some of them which are important. Compare the analyses of individual practices in Delery and Doty (1996).

strategy and an administrative HR system as well as a fit between a delivery flexibility strategy and the latter are important. In addition they concluded that a strategic fit between a scope flexibility strategy and the latter HR system had a negative effect on performance (*ibid.*, pp. 858-859)<sup>200</sup>.

**Delery and Doty (1996)** reported modest support for an overall interaction effect between a set of individually analyzed HRM practices and a continuum measure of product/market innovation strategy in terms of ROE and ROA (*ibid.*, pp. 821-822). The delta  $R^2$ 's of the interaction effects were only weakly significant (ROE) and insignificant (ROA) in these analyses (*ibid.*, p. 823, table 5).

Further, similar caveats and interpretations as mentioned regarding Delery and Doty's evidence for the effect of the universalistic set of HRM practices (above) might be considered.

- (1) In particular, the high individual interaction effect related to career opportunities and an innovation strategy might be interpreted as indicating a reverse causation. Such an interpretation would argue that the better the performance of the

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<sup>200</sup> It seems important to recognize the reasons for suspending any normative judgement with reference to the non-existence of HRM-strategy fit effects based on these results. The identified set of four manufacturing strategies were able to explain none of the variation in the administrative HR system variable and only 11% of the variation in the human-capital-enhancing HR system variable. The only significant predictive relationship was found between a quality strategy and the latter HRM system (*ibid.*, p. 856). The weak correlation between strategies and HRM systems is already indicated by the correlation table (*ibid.*, p. 852). As Youndt et al. acknowledge (*ibid.*, p. 856), this suggests that only a small part of the organizations were making use of strategic fit at all as defined in this study. This might be due to the "elusive" nature of the concept of manufacturing strategy which Youndt et al. also acknowledge (p. 861). In any event, the sample used in the analyses may have lead to underestimations of the extent to which a human-capital-enhancing HR system interacts with the other strategies as well as how an administrative HRM system interacts with any of the strategies.

Baron and Kenny (1986) claim that "it is desirable that the moderator variable be uncorrelated with both the predictor [independent variable] and the criterion [dependent variable] to provide a clearly interpretable interaction term (1986, p. 1174). However, neither Jaccard et al. (1990) nor Venkatraman (1989) argues for such a condition. While the test of interaction effects does not require, and is even made more difficult by large-scale existence of forms of fit it seems that some correlation between the moderator and both the independent and dependent variables is needed. A linear interaction effect tells us whether there is a significant consistent difference in the slope of the independent variable (in this case the HRM system) in relation to the dependent variable under different values of the moderator variable (in this case strategy) (Jaccard et al., 1990, p. 25). To the extent that there is little correlation between the moderator and the dependent variable the estimation of the coefficient for the interaction effect will probably be insignificant already for this reason.

Youndt et al.'s analyses highlight the importance of distinguishing between empirical and normative conclusions. Normative conclusions about the non-significance of effects of different configurations cannot be made when such configurations are not significantly represented in the analyzed samples.

It seems clear that (business) strategy should always be controlled for when analyzing any universalistic effects of HRM systems. This control has been lacking in many tests of universalistic effects. MacDuffie (1995) controls for his "strategy variable" in terms of the production system but only when analyzing interactions (*ibid.* pp. 213; 216). Delery and Doty (1996) also apparently control for strategy only when analyzing the contingency hypothesis (*ibid.*, p. 822) and so does Huselid (1995) but he does not then include the rest of his control variables (*ibid.*, pp. 664-665).

organizations, the more innovative strategies they pursue. The more innovative strategies they pursue the better will the internal career opportunities be. The interaction effect would then indicate that the internal career opportunities will be increasingly better, the more innovative strategies the organizations pursue and the better they perform. However, this interpretation seems not to be justified since the main effect of an innovation strategy seems to have been negative or insignificant<sup>201</sup>.

- (2) Also the main effect of internal career opportunities appears to be insignificant according to the evidence of both Tables 4 and 5: Thus it would also seem unjustified to argue that the better the organizations do financially, the more career opportunities there are and to the extent that the organizations are also pursue an innovation strategy, it further increases the career opportunities.
- (3) Thus it could seem that there is a true interaction effect such that the higher innovation strategy an organization pursues, the more the internal career opportunities will affect performance.
- (4) However, one other interpretation is perfectly compatible with all the regression results and the correlation table. This is: for each level of focus on an innovation strategy the better an organization does, the more career opportunities there will be. Thus, this interpretation would indicate that the performance of the organization does not directly influence career opportunities. It is only organizations which do well financially and focus on innovative strategy which also offer better career opportunities<sup>202</sup>.

The evidence that the negative slope of the relationship between employee participation and financial results (ROA) was higher the more the organization focused on high product/market innovation seems to contradict much of the discourse on the importance of utilizing employee knowledge (*ibid.*, p. 823).

Delery and Doty conclude that

the effects of results oriented performance appraisals (+), participation(-) and internal career opportunities (+)<sup>203</sup> are dependent on strategy (*ibid.*, p. 829).

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<sup>201</sup> The interpretation is made somewhat difficult since it is not clear from Delery and Doty's discussion nor from Table 5 whether the coefficient for the effect of the innovation strategy is from the main effects regression equation or the regression equation including the interaction effects. As Jaccard et al (1990, pp. 26-27) argue, these two coefficients are theoretically different. However, the correlation table (*ibid.*, p. 819) indicates that innovation strategy per se is not significantly related to the financial performance of the banks.

<sup>202</sup> This interpretation is not incompatible with the fact that defender banks are reported to have done better to the extent they did not offer extensive internal career opportunities. This is mentioned to have been the result of analyses which are not shown to the reader (*ibid.*, p. 822).

<sup>203</sup> Note that internal career opportunities in a study by Huselid and Becker had a significant negative universalistic effect on performance as reported in Becker and Gerhardt (1996, p. 784).

**Summary.** There is thus some fragmented and highly inconclusive evidence of an influence of strategic fit on organizational performance. We will now turn to what may be considered more sophisticated tests of the influence of HRM on organizational performance.

#### **6.2.4 HRM holism: HRM as consistent integration**

**Delery and Doty (1996)** tested a configurational hypothesis (their Hypothesis 4, *ibid.*, pp. 812; 817; 824) in terms of a fit defined as the closeness of the organization's employment system to the one ideal type employment system (out of three) "that was most appropriate for the ideal strategic type most similar to the organization's strategy" (*ibid.*, p. 817). This definition and operationalization was based on developments of Miles and Snow's theory of generic strategies (*ibid.*, p. 815). This is really a test of internal alignment combined with external alignment. However, they received no support for this.

They also tested a configurational fit hypothesis related to a continuum of combinations of hybrid employment systems and hybrid strategies (their Hypothesis 5, *ibid.*, pp. 812-813; 817; 824). They received no support for this either.

The difference between these two tests was that in the latter also the strategy variable was allowed to vary on a continuum and the ideal employment system variable was calculated on the basis of a fit with such a continuum variable (the closeness to which was then calculated for each organization). In effect they tested the hypothesis that the similarity in, on the one hand the proportional deviation from one of two polar opposite ideal type employment systems, and on the other hand a corresponding proportional deviation from one of two polar opposite ideal type strategies should predict performance<sup>204</sup>. The latter hypothesis (5) thus implies or allows that there is an infinite number of effective combinations of internally and externally aligned employment systems.

Delery and Doty argue that

"[o]ne plausible explanation for the null results associated with the configurational perspective is that too many or too few ideal type employment systems were included in the analyses" (*ibid.*, p. 824).

However, in particular after their "exploratory post hoc analysis" pursuing the possibility that a "single ideal employment system will result in maximal organizational performance" (*ibid.*, p. 824), they acknowledge that the most plausible interpretation would seem to be that they included wrong conceptualizations of ideal types (*ibid.*, p. 825). It is thus possible that the specification of the ideal type employment systems were not appropriate (and thus also the proportional deviation from them) and/or that external fit in terms of (proportional) closeness to a generic strategy was an inappropriate measure.

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<sup>204</sup> They defined continuums between each of their three ideal types (*ibid.*, p. 813) but since there was a middle category, they in fact defined one continuum between two polar opposites with reference both to employment systems and strategies.

However, any ideal type employment system has to be evaluated on grounds partially independent of the results of statistical analyses of nomological relationships. After all, we have to allow for the possibility that correctly conceptualized maximally effective HRM systems do not have a sufficient influence on organizational performance<sup>205</sup>.

**Becker and Huselid (1998b)** reported support for an internally and externally integrated configuration of High Performance Work Systems in their multi-industry sample. In addition to their separate analyses of external and internal fit, Becker and Huselid (1998b) went on to perform a cluster analyses through which they were able to identify four different clusters, measured by the scores on the items in both the Implementation Alignment and HRM System indexes<sup>206</sup>. In this way they arguably explored the effects of internal and external alignment in combination. Methodologically and theoretically this seems to be an interesting approach. As argued by Becker and Huselid, in principle cluster analysis has the advantage of allowing a test for complementarities without imposing

“any *a priori* constraints on the nature of either the *internal* bundle of elements within each strategy or, *external mix* of...the overall HRM strategy” (Becker and Huselid, 1998b, p. 12).

Becker and Huselid claim that in their cluster analysis “[f]irms are sorted into groups that use a common mix or bundle of HRM practices” (Huselid, 1998, p. 8). But we still have to remember that this “common mix or bundle” refers to what has been measured. On the one hand the variation captured is related to how *extensively* the organizations on average have adopted different sets of the HRM practices identified by Becker and Huselid’s operationalizations<sup>207</sup>. On the other hand the variation captured is related to how effective HRM managers on average perceive the utilized HRM practices to be in addition to the perceived degree of existence of certain

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<sup>205</sup> Delery and Doty’s conceptualization of internal and external fit can be seen as quite elaborate. However, both their strategic types and their ideal type employment systems are problematical to the extent that, as already noted in the conceptual discussion, we lack knowledge of both the requirements of a particular strategy and the outcomes of particular employment (or HRM) systems (Chadwick and Cappelli, 1999, p. 20). In our study we will therefore not focus on any such (potentially infinite number) of combinations of a formally specified set of HRM practices and formally specified strategies. Rather, as already noted, we will measure the HRM system in terms of employee perceptions of the amount, quality and relevance of a potentially unlimited number of forms of generic HRM practices incorporating also the potential (implemented and perceived) relevance of internal and external alignment. In addition, we have a separate measure of external/internal fit in terms of managerial perceptions of the extent to which the practices specifically contribute to properties of the employees which they need in pursuing strategic business goals.

<sup>206</sup> Becker and Huselid argue that “the cluster results are broadly consistent with what might be expected in a multiindustry cross sample” (ibid., p. 9). However, the generalizability of this cluster (and thus replicability of the results) is yet to be determined. Compare the arguments in section 8.3.1 concerning strategic *fit as gestalts* as well as the discussion in Ramsay et al. (2000) at the end of section 9.5.

<sup>207</sup> The commonality of the adopted practices in different organization within the different clusters is largely unspecified. This is what allows for equifinality related to the extensiveness of adoption of different practices.

behaviors and processes related to the top management and the HR department. As already noted, some confusion arises from the tautological element introduced by some of the Implementation Alignment items as well as the complex nature of the whole index<sup>208</sup>.

The operationalizations of the relevant HRM phenomena are not easy to develop in a satisfactory manner<sup>209</sup>.

Becker and Huselid themselves conclude that

“the cluster analysis results strongly supported our hypothesis that the performance effects of HRM are attributable, in part, to complementarities within the HRM system, as well as the “fit” with a supporting organizational logic. The High Performance cluster which characterized

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<sup>208</sup> An indication of a potential problem in Becker and Huselid's (1998b) measures is that the items related to the extensiveness of application of the performance appraisal and, in particular, the compensation practices exemplify higher scores in the Compensation cluster than in the High Performance cluster. Nevertheless, the perceived effectiveness of performance management and compensation receive lower scores in the compensation cluster. These results can be observed by comparing Clusters 2 and 4 in terms of the means of the 11 items related to the extent of the application of the compensation/performance management related practices on the one hand, and the 2 terms related to the perceived effectiveness of performance management and compensation on the other hand (ibid., p. 9, Table 2).

With reference to the results of their regression analyses where the Compensation cluster had weaker relationship with organizational performance than the “fully integrated” High Performance cluster, Becker and Huselid offer the intuitive interpretation that effectiveness is related to how extensively or effectively the other practices are applied. “[T]he Compensation strategy was not leveraged with a supporting organizational logic” (ibid., p. 14).

However, the problem with the measures relate to the fact that while, in accordance with Becker and Huselid's argument, the *effect* on organizational performance should be less for the compensation cluster than for the “fully integrated” High Performance cluster, the *effectiveness* of the performance management and compensation practices per se [looking at the items in the questionnaire (ibid., p. 7)] should arguably not relate to such integration.

Thus, to the extent that the items in the two dimensions were actually perceived to relate to the same set of HRM practices, the above results might also be interpreted as an indication of the existence of two forms of a potential bias in the items related to external fit. On the one hand it might be that the more *all* the practices are utilized, the more effective each one of them are simply perceived to be by the HRM managers. Alternatively, it might be the result of an attributed simultaneity bias in that the organizations where all the practices are on average more utilized are also better performers. Thus regardless of their factual effectiveness, it is possible that they are perceived more effective in well performing organizations and/or organizations which apply all the HRM practices more extensively. Such biases are difficult to eliminate. However, as already indicated, by posing the questions in a less direct way and by posing the questions to individuals with less stake in how effective HRM is, the biases are at least likely to be diminished.

<sup>209</sup> As we shall see, through the choice of our sample, where we perhaps reasonably but still far from satisfactorily can assume that the HRM practices identified by our operationalizations are applied throughout the dominating group of employees in the organizations included in the sample, we can concentrate upon identifying variation in qualitative differences in implemented HRM practices. We would argue that this is a theoretically more relevant dimension of the set of HRM practices than only the extent of hierarchical adoption of a formally specified set. But of course the hierarchical extensiveness of adoption is also likely to have an influence.



firms that had integrated both of these elements into their HRM strategy provided economically and statistically superior effects on firm performance compared to the other three strategies...Firms that take advantage of these complementarities experience a 17 percent greater impact on firm performance [than the effects predicted by the independent component values of the HRM system and Implementation Alignment measures]" (ibid., p. 14).

**Summary.** Thus, with reference to two sophisticated analyses of complex configurations of HRM practices and strategies or organizational logics we have somewhat contradictory as well as problematical evidence.

### 6.2.5 HRM and intermediate attitudinal mechanisms

**Ogilvie (1987)** reported support for a relationship between organizational commitment (OC) and perceptions of HRM practices based on a sample of 67 managers from an agricultural company (1987, pp. 342-343).

Already prior to 1987, many studies had reported support for relationships between individual HRM practices and OC, however, using limited control variables (ibid., pp. 340-341). In addition to the deficiency related to missing control variables, these studies are vulnerable to the same critique (mentioned above) as studies of HRM-firm performance links utilizing only one or a limited amount of HRM practices as explanatory variables. They are likely to overestimate the relationships due to correlating unmeasured HRM variables.

Ogilvie still only included a fairly limited amount of HRM practices including employee perceptions of their relative level of pay, the accuracy of the pay-performance contingency, the fairness of promotions and their fringe benefits relative to those of employees in other companies (ibid., pp. 344-345). He did not analyze potential effects of the HRM system. The data in terms of employee perceptions of the HRM practices can however be considered a strength.

Ogilvie included a relatively large set of control variables (ibid., pp. 340-341) including, prior work experience in the industry, tenure, measures of job characteristics in terms of task feedback and task identity, as well as some partly unspecified items related to the perceived work environment in terms of supervision and social aspects (ibid., p. 344).

Hierarchical regression results indicated that the variables related to accuracy of pay contingency and fairness of promotion were significantly related to organizational commitment (ibid., pp. 348-349). Organizational commitment was operationalized with Mowday et al.'s (1979) Organizational Commitment Questionnaire<sup>210</sup>.

Ogilvie attempted to diminish common method bias through collecting the data by interval scaled interview questions rather than standardized questionnaires (ibid., p. 350). We are not sure of the effectiveness of such a method.

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<sup>210</sup> We will later review the complex set questions related to the construct of organizational commitment.

Ogilvie concluded that

“[t]he results...supported the hypothesis that the [HRM] practices...of an organization have considerable positive relationships with organizational commitment” (ibid., p. 349).

**Guest and Hoque (1994)** reported support for the effectiveness of a sophisticated HRM strategy based on sample of 122 nonunion (ibid., p. 5) and mainly manufacturing related (ibid., p. 4) new establishments. Data were gathered from either “the head of personnel” or “the most senior line manager with special responsibility for personnel issues” (ibid., p. 5). The sample was divided into four groups based on the one hand on the single item measure of HRM strategy<sup>211</sup> and, on the other hand, based on a

“cut-off point separating those establishments that [formally] used more than half of the practices [identified in the study] from those that used less than half” (ibid., p. 6).

Dependent variables were respondent’s perceptions of HRM outcomes, employee relations outcomes and firm performance outcomes (ibid., p. 8). In addition to descriptive comparisons (ibid., p. 8), the authors performed multiple regression analyses with some controls (ibid., p. 13).

Some particular results stand out (ibid., p. 13). *The commitment of lower grade staff* is higher in the groups with extensive utilization of HRM practices (with or without a HR strategy). As commitment is measured by the senior respondents this variable might have low validity<sup>212</sup>. In terms of *the quality of staff employed* those with extensive use of HR practices in combination with an explicit HR strategy did best. Also here the common method errors might seriously influence the results. In terms of *the quality of work of lower grade staff* there are no significant differences between the groups. *The quality of HR policies and practices* was not significantly higher in the group of organizations extensively and strategically employing HRM practices compared to the one with a conscious HR strategy in terms of little use of HRM practices. This might be a consequence of the choice of respondents, since both groups had conscious (albeit opposite) HRM strategies. Compared to the latter group, both extensive and little use of HR practices in combination with a largely absent HR strategy had significantly negative correlations with the quality of the practices. *Flexibility of staff* seems to have been most significantly correlated with the group with a strategy of low HR utilization. This measure does (apparently) not distinguish between different forms of flexibility and is thus fairly ambiguous. *The employees’*

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<sup>211</sup> “Do you have a human resource strategy formally endorsed and actively supported by the top management team at the establishment?” (ibid., p. 5).

<sup>212</sup> The authors argue that “[t]here is no good reason that we are aware of to believe that particular categories of manager have consistent biases in their responses to these issues” (ibid., p. 7). However, Huselid and Becker argue that “studies have shown that ratings of organizational policies will differ by organizational level (Barron and Black, 1996; Eaton, 1994)” (Huselid and Becker, 1996, p. 415). Further evidence of potential biases in terms of low interrater reliabilities are noted by Wright and Sherman (1999, p. 64). It is also likely that common method errors are involved here. As we shall note in chapter 7, section 5, this seems to be a serious problem affecting much organizational research.

*ability to move between jobs as needed* seems to be about the same in the groups strategically utilizing high or low numbers of the HRM practices. *Absenteeism* seems surprisingly to be more correlated with the group strategically and extensively utilizing HRM practices than in the group with no HRM strategy and low utilization of HRM practices. Absenteeism is however clearly less correlated with the group extensively and strategically utilizing HR practices compared to the group with an HR strategy of low HR utilization.

In terms of *industrial dispute, how well the recession was weathered, productivity and quality benchmarked against domestic companies* the group strategically utilizing a high number of the HRM practices did clearly best. These latter results are encouraging from the point of view of HRM.

In summary, the results seem to indicate that organizations which had no HR strategy and low utilization of HRM practices did (on most measures) worse than those organizations with a conscious HR strategy of either low or high utilization of HR practices (ibid., p. 9). In addition, with reference to the quality of staff employed, the commitment of lower grade staff as well as organizational performance measures a strategic extensive utilization of HRM practices seems to have produced the best results.

However, some methodological and theoretical aspects would still have to be further elaborated in order to give clearer and more convincing evidence. *First*, single managerial respondents for all the variables were used. This seems inappropriate in particular when we deal with employee attitudes like commitment. *Secondly*, the number of practices formally used does not yet seem to be a theoretically justified measure of HRM practices. It does not capture aspects of implementation and neither does it capture e.g. the percentage of employees affected by the practices. As acknowledged by the authors also the formal existence of an HRM strategy is no guarantee for its implementation (ibid., p. 5). *Thirdly*, the elements of internal and external fit are measured only in terms of two measures (one for each) and treated basically as an HRM practice (ibid., p. 12). *Fourthly*, more control variables would still seem to be needed. *Fifthly*, Guest and Hoque do not attempt to analyze indirect effects of HRM on organizational performance through the potential mechanisms identified by them.

The authors conclude that

“[T]hose with a strategic approach to HRM which involves extensive use of a range of HRM practices, consistently report the best results for HRM, employee relations and performance outcomes. In contrast, ...those with no strategy and a low take up of HRM practices, consistently report the poorest outcomes...The results [thus] demonstrate that strategic HRM pays off” (p. 11).

**Guest and Conway (1999)** studied the relationship between an HRM system and employee attitudes based on a multi-industry sample of 1000 organizations<sup>213</sup>. In this

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<sup>213</sup> Their article also extensively discusses the role of trade unions. These aspects of their research will largely be left out from this review.

study the authors actually used a conceptualization/operationalization of the HRM system reminiscent of the one attempted in our study. Guest and Conway's study

"differs from most in this area in that it is based on employee reports and perceptions in arriving at the classification of policy, but with the distinct advantage of being able to describe with more authority how employee reports of these policies and practices affect their experience of and attitudes towards employment...the key...is that the practices and policies are reported by those at whom they are directed rather than by those who promote and implement them" (ibid., pp. 372-373).

However, Guest and Conway identified HRM practices only in terms of whether they existed in the organizations or not (ibid., p. 373). They then "classified responses as reflecting either high or low HRM policy priority by separating those above and below the median number of practices that employees reported" (ibid., p. 393)<sup>214</sup>. Thus, it can still be argued that the identification of the HRM system was theoretically somewhat inappropriate in that the existence, even as identified by employee perceptions, does not tell us much about how well the system functions.

Nevertheless, the study provides evidence for the fact that the highest scores on job satisfaction, organizational commitment and management-worker relations as well as the lowest scores on intentions to quit were reported by employees in organizations more extensively applying (in terms of employee perceptions) the HRM system and where employees were not trade union members (ibid., p. 375). However, "trade union membership is associated with less experience of redundancy and a lower propensity to leave" (ibid., p. 376). The evidence presented for these arguments consists of correlational analyses with no control variables.

The study then focuses on the experience of employees in "Black hole" organizations, i.e. organizations with a low presence of both trade unions and HRM practices (ibid., p. 370). Through regression analyses including a fair amount of controls (ibid., p. 381) it is shown that HRM practices predict employee's organizational commitment (ibid., p. 382)<sup>215</sup>. Guest and Conway do not discuss what kind of organizational commitment construct they used. Neither do they justify their control variables with reference to the commitment literature. In analyses of the same data material published elsewhere the authors claim to have shown also that the human resource management practices predict what the authors understand as a "psychological contract" (ibid., p. 382)<sup>216</sup>. Since the psychological contract in Guest and Conway (1999) also predicted organizational commitment, HRM might have also an additional

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<sup>214</sup> They also did some additional analyses of the organizations which so identified ended up in the lower quartile (ibid., p. 393).

<sup>215</sup> Here Guest and Conway do not explain what variation in the HRM practices their HRM variable reflected but one can assume that they used the same kind of above/below median approach as utilized with reference to the whole sample.

<sup>216</sup> Their construct of psychological contract involve six unspecified items related to the dimensions of "perceived fairness of treatment, trust in management to keep its promises and judgement of the extent to which [management] has actually kept its promises in key areas such as pay, job demands and promotion opportunities" (ibid., p. 373).

indirect effect on organizational commitment (*ibid.*, p. 384). The study did not include any employee or organizational performance outcomes.

**Summary.** Thus, there is some evidence for the influence of HRM on employee attitudes, in particular organizational commitment. All these studies are still fairly weak in terms of integrating their analyses with the extant and complex literature on organizational commitment. Further, none of the reviewed studies have analyzed an integrated theorization of HRM's influence on organizational performance with reference to its indirect effects. We are not aware of other studies taking their departure in the macro-analytic HRM literature and analyzing potential intermediate (attitudinal or behavioral) mechanisms of HRM's influence. There is thus a clear lack in the literature with reference to understanding the mechanisms of HRM's potential influence on organizational performance.

### 6.3 SUMMARY OF THE REVIEW OF EMPIRICAL RESEARCH

We begin to have some empirical evidence of the influence of HRM from both industry specific as well across industry samples, albeit with different definitions and measures of HRM, different output measures, different categories of employees and sometimes even contradictory results<sup>217</sup>. All the reviewed studies bear apparent witness to some kind of importance of HRM. However, a lot more evidence is needed as to how important it is and by what mechanisms in what contexts it potentially influences performance. In particular, as the empirical evidence begin to accumulate the importance of theory becomes more apparent (Guest, 1997). In fact, the development of theory is likely to become necessary in order to make sense of a broadening flora of somewhat fragmented and partial evidence as well as in order to direct and focus future research.

Already now it has to be acknowledged that the interpretation of the accumulated evidence is no easy task. We have tried to establish interpretative indeterminacies related to most of the reviewed studies<sup>218</sup>. The studies never simply show something unambiguously. The research community's grip on the complexity of these issues is still too weak for the opposite to be even close to true. The conclusions drawn initially

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<sup>217</sup> It is evident that we have not reviewed all prior empirical research on the influence of HRM. The reader may consult Wood (1999) for reviews of some additional studies. We have also, like Wood (1999), excluded all cross-cultural studies dealing with the influence of HRM as well as all studies dealing only with a limited set of the HRM practices and their influence. One of the reviewers pointed out four specific studies which should be mentioned but which we, at the time of writing this thesis, did not know of (Patterson et al. (1997); Ramsay et al. (2000); Guest (1999) and Appelbaum et al. (2000)). These studies clearly offer evidence of interest for the current study. Some of them offer sceptical evidence (Ramsay et al., 2000), some of them at least rhetorically almost overwhelmingly positive evidence (Appelbaum et al., 2000 and Patterson et al., 1997). However, we argue that they do not in any fundamental way offer reason to change the spirit of the above review. In particular, these studies, although presenting some progressive research designs and interesting evidence of intermediate relationships, still seem to us to be befuddled with many of the problems we try to identify in this study. They do not offer any evidence of the significance of indirect effects; they do not include a systematically identified (extensive) set of potentially relevant control variables and they involve similar problems related to measurements and constructs as discussed above.

<sup>218</sup> The same point is also clearly made in the lengthy review by Wood (1999).

always tend to be positive followed by chapters of more or less severe limitations of the studies. Different interpretative possibilities are seldom discussed. It is generally the tentative positive conclusions most other researchers then refer to which leads to an image of more or less well established evidence.

There seem to be increasingly sophisticated attempts to understand the influence of HRM. However, as long as there is such a wide spread in the broader conceptualizations of HRM, specific definitions, operationalizations and methodologies it is difficult to talk about legitimate knowledge<sup>219</sup>. Some such consensus as argued for by Pfeffer (1993) seems to be important to develop. This would of course have to emerge as a result of researchers reflecting upon and debating earlier research/theorization efforts. Research in SHRM has only begun the journey. The question of whether it is also already nearing its end is up for grabs (Steyaert and Janssens, 1999, p. 181). Wright and Sherman (1999) do not think so. "The lack of an overarching paradigm is not lethal, but does slow research progress" (*ibid.*, p. 70). If no consensus emerges despite continuing efforts and debate, it might be lethal.

What this review has also tried to establish, in particular in combination with the earlier conceptual review of the literature, is that for many reasons different approaches in research on effects of HRM practices still seem to be needed<sup>220</sup>. However, the interpretative difficulties related to earlier studies in this field makes it somewhat difficult to decide how research on HRM-performance links could progress. This is not least the case because there are some general difficult methodological/theoretical problems which have been present in earlier research and which we will discuss below.

"The totality of our so-called knowledge or beliefs...is a man made fabric...like a field of force whose boundary conditions are experience...But the total field is so underdetermined by its boundary conditions, experience, that there is much latitude of choice as to what statements to reevaluate in the light of any single contrary experience" (Quine, 1952, pp. 42-43)<sup>221</sup>.

One of the most obvious "contrary experiences" in the field of HRM research is the non-correspondence between formally identified HRM practices and implementations of these practices (Truss and Gratton, 1997). An additional fact seems to be the non-correspondence between researchers use of generic conceptualizations of strategy and corresponding forms of strategic fit and the "experience" of strategies in organizations (Chadwick and Cappelli, 1999)<sup>222</sup>. Thirdly, there are "contrary experiences" with

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<sup>219</sup> Wood draws very similar conclusions related to the current evidence (1999, p. 409).

<sup>220</sup> The same implications can arguably be drawn from Wood (1999) in light of the inconsistent and fragmented evidence for the traditional dichotomy in terms of the perspectives of contingency (strategic fit) vs. universalism (best practices).

<sup>221</sup> As Quine has later remarked, the metaphors of 'man made fabric' and 'field of force' clearly "needed unpacking" (1991, p. 272). We discussed these issues in more detail in the chapter 2 and in fact sided with a somewhat different "unpacking" of this view than the one Quine himself has pursued.

<sup>222</sup> Boxall argues that "we lack qualitatively rich studies across a variety of industries where the extent of strategic choice, which is variable, can be assessed more accurately" (Boxall, 1996, p. 649)

reference to the way HRM is “talked about” and what has actually been tested in empirical research. What has at least been largely lacking in research on HRM and organizational performance is the perspective of the employees. They are the objects of the HRM practices and the natural “mechanisms” of any HRM influence on performance<sup>223</sup>.

In this study we will try to re-evaluate or change conceptualizations related to these phenomena. We will proceed to test whether, based on such a re-evaluation, we can find reasons to believe in some of the central claims in the HRM literature regarding HRM’s influence on organizational performance.

“Despite the growing academic and practitioner interest in strategic HRM, what we can say with confidence about the HRM–firm performance relationship is actually quite limited...we believe that the paths through which any effect actually develops, and subsequently the implications for management, necessarily operate at lower levels of analysis, including the individual. As a result, one of the most important gaps in this literature is the absence of good empirical work that links the levels of analysis” (Becker and Huselid, 1998, pp. 92-93).

However, obviously there is an immense “latitude of choice” in how to go about this. Although we have not included all the elements and levels of HRM effects suggested by Becker and Huselid (1998), we try to move in this direction. In particular we try (for many reasons elaborated above) to combine this approach with the perspective of the employee. As Becker and Huselid acknowledges,

“Another aspect of this literature that has gotten little attention, but which will also have an influence on the prospects for change, is the extent to which the value created by a HPWS or other relevant organizational innovation is shared with the employees. A HPWS is premised on the assumption that an organization’s employees are more than a cost to be minimized, but rather a potential source of competitive advantage. A properly implemented HPWS creates a firm specific relationship between employees and shareholders, similar to a bilateral monopoly” (1998, p. 93).

From a different angle this is also echoed by Wright and Sherman in that they

“believe that increased attention to SHRM theory would foster a shift from strictly examining HR practices to examining employees’ skills and behavioral responses...Assessing practices without examining employees’

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However, the HRM literature is interested in the influence of the phenomenon of strategic fit on competitive advantage. In order for there to be such influences there would have to be room for relevant differences in strategic fit also within industries

<sup>223</sup> Boxall argues that “there is still a widespread failure to structure studies around the phenomenon of workforce segmentation” (ibid., p. 64). Either studies should clearly be so structured or samples should be chosen in order to ameliorate problems of work force segmentation and misspecification of organizational HRM practices.

responses to the practices seems to be theoretically and empirically deficient” (1999, p. 70)<sup>224</sup>.

Finally, a related point is made by Wood (1999).

“[T]here has been no systematic examination of the link...particularly between HR outcomes and performance. Moreover, there has been an increasing neglect of the psychological processes that mediate or moderate the link between HR practices and performance. The issue has been treated as an organizational-level matter when it is in fact a multi-level question” (ibid., p. 408).

Thus there is an almost overwhelming agreement among many researchers that empirical research somehow needs to get involved with trying to explain the mechanisms of HRM's potential influence with explicit reference to the perspective of the employee. Our empirical review has also tried to justify this need. In chapter 3 we elaborated on our general understanding of the meaning of HRM. We argued that the perspective of the employee is theoretically important for several (ethical, epistemological and theoretical) reasons. In the following we will present a modified version of Guest's (1997) framework on the basis of which we will pursue to test the adequacy of the elaborated broad understanding of "the very idea of HRM" incorporating also the perspective of the employee.

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<sup>224</sup> Although this statement does not necessarily involve such a claim, we have argued that it is important to examine *employees'* responses both in terms of employees' responses to HRM practices and their responses potentially influenced by these (responses to ) HRM practices.



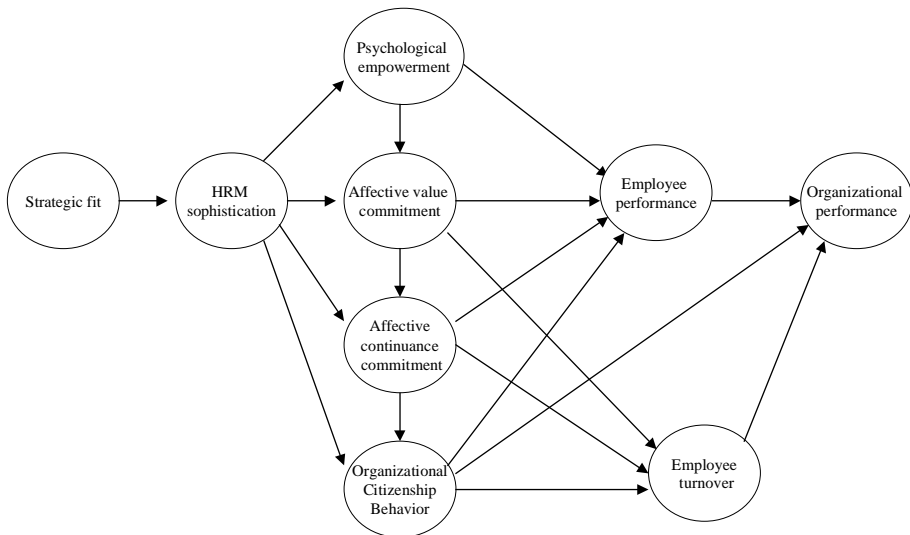
## 7 THE PROPOSED MODEL

Keenoy asks whether HRM is "a theory of competitive advantage, or a theory of employee motivation or a theory of strategic management? Is it all three?" (1997, p. 829). The answer is arguably that in the sense of theorizing rather than theory (Weick, 1995) it is all three. As we see it, HRM is a theorizing of strategic employee management and its consequences for competitive advantage.

### 7.1 GENERAL OUTLINE OF THE MODEL

In this thesis the following model of HRM is proposed (Figure 3). It is largely based on Guest's (1997) model.

Figure 3



In summary, conceptual arguments related to the different elements included in this model can be found in different sources in the explicitly HRM related literature. At least the following can be mentioned: *the importance of persistence* in the efforts to apply HRM policies and practices (not explicitly shown in the model above) (Muller, 1996); *the importance of HR professionalism* (not explicitly shown in the model above) (Huselid, Jackson and Schuler, 1997; Ulrich, 1998); *the elements of strategic (internal/external) coherence* in the HRM practices (e.g. Mabey and Salaman, 1995; Guest, 1997; Storey, 1995; Wright and Sherman, 1999; Chadwick and Cappelli, 1999; Becker and Huselid, 1998; Wright and Snell, 1998); *the importance and relevance of employee appreciation* of the HRM practices built into our HRM system variable can, we argue, be inferred from the idea incorporated in soft HRM of treating people as the most important resource (e.g. Truss and Gratton, 1994; see also Wright and Sherman,

1999; Boxall, 1996; Wood, 1999; Becker and Huselid, 1998); *the element of empowerment* is only mentioned explicitly very briefly e.g. in Storey (1995); *the elements of commitment and organizational citizenship behavior* are very briefly mentioned and outlined in (Guest, 1997)<sup>225</sup>; *the element of employee work performance* has not been dealt with in any more detail in the HRM literature although some forms of employee performance are briefly touched in Guest (1997) and Pfeffer (1997, p. 172). In general some form of employee performance is a prerequisite of HRM's influence to the extent that it does not only concern "downsizing and retrenchment" (Mabey and Salaman, 1995; p. 18); *the element of organizational performance* has been present in much of the HRM literature in various forms. We will approach it in terms of employee turnover, customer satisfaction and quality, as well as profitability (Guest, 1997)

The whole conceptual apparatus, more explicit causal logics, hypotheses and operationalizations will be discussed in more detail below. References to our attempts to justify the choice of a quantitative research design to test the adequacy of this theorization can be found in the beginning of chapter 8.

## 7.2 HYPOTHESES DEVELOPMENT

### 7.2.1 Persistency and HR professionalism

HRM practices are arguably not straightforward to implement in a meaningful and in particular a strategically relevant fashion. Therefore the organizations' **persistent efforts** to develop and guarantee the quality of the HRM practices should have an effect on employee perceptions of their properties. Mueller argues strongly for the importance of persistent efforts and an attitude of continuous improvement (1996, pp. 772-773). Also the arguments about how long it takes to create effective HRM systems (Wright and Snell, 1998, pp. 763-768 and Skinner, 1981) can be understood as emphasizing the importance of persistence in developing HRM practices. Depending on the focus of these efforts persistency might also explain strategic fit. Because of such focal contingencies unaccounted for in this thesis, the persistent efforts to develop the the quality of the HRM practices will be used as an explanatory variable only in relation to the holistic sophistication of the HRM system.

We hypothesize that

Hypothesis 1: Persistent efforts to develop and sustain the quality of the HRM practices will be positively related to the sophistication of the HRM system.

**HRM professionalism** has been argued to influence the effectiveness of the HRM practices.

"Insuring that members of the HRM function have the appropriate capabilities (or competencies) has been suggested as one way to increase

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<sup>225</sup> Naturally (psychological) empowerment, organizational commitment and organizational citizenship behavior have been discussed more extensively in related literatures. We will consider this literature below and further pursue it in the discussion of control variables.

the likelihood of effective HRM [by] Lawler (1992) [and] Ulrich and Lake (1990)” (Huselid et al., 1997, pp. 173-174).

Huselid et al. make a distinction between professional HRM capabilities and business related capabilities. As we see it the relevant variable affecting (strategic) HRM effectiveness should largely be the degree of HRM professionalism as defined by Huselid et al. (1997). If treated separately, the business related capabilities exhibited by HRM staff members (as defined by Huselid et al.) should have an influence on this HRM professionalism and only through that on (strategic) HRM effectiveness. We will simply use HRM professionalism, including one item related to “business related capabilities”, as an antecedent to the entire HRM system.

Although potentially interesting, also Huselid et al.'s distinction between strategic and technical HRM effectiveness seems ad hoc as to many details and even confounding potential general outcomes of all HRM activities with effectiveness in some HRM activities. We make no such distinction.<sup>226</sup>

We will thus use HRM professionalism as a hypothesized antecedent to the entire HRM system as defined by us. Also here there are potential focal contingencies unaccounted for in this thesis. We will thus use HRM professionalism as an explanatory variable only in relation to the general sophistication of the HRM system but not its strategic fit.

We hypothesize that

Hypothesis 2: HR staff professionalism will be positively related to the sophistication of the HRM system.

## 7.2.2 Strategic fit

In chapter 3 we elaborated on our understanding of the meaning of strategic fit. We discussed the complex nature of both the nature of strategy and strategic fit. We also discussed the lack of knowledge related to both the employee responses demanded by a particular strategy as well as the employee responses produced by a particular HRM system (Chadwick and Cappelli, 1999, p. 20).

Whatever the precise nature of strategy and strategic fit is, the existence of strategic fit should according to most HRM theorizations lead to certain favorable employee and organizational outcomes. We argued that one way to deal with the lack of knowledge is to let the practitioners evaluate the appropriateness of both the strategic fit and the HRM system.

As noted by Wright and Sherman

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<sup>226</sup> In their analyses they received support for the influence of HRM professionalism on both technical and strategic HRM effectiveness. They received only a weak support for the influence of business related capabilities on strategic HRM effectiveness and no significance in its relation to technical HRM effectiveness (ibid., p. 183)

"Wright and Snell (1998) indicated that three aspects of the HR system are critical to achieving fit: HR practices, employee skills, and employee behavior" (Wright and Sherman, 1999, p. 56).

Turning this argument around, we argued that strategic fit should primarily explain the perceived sophistication of the HRM system and indirectly employee attitudes (involving among other things also the element of competence in terms of psychological empowerment) and employee performance. By postulating such an intermediate mechanism of strategic fit we try to improve theorizing (Bacharach, 1989), i.e. suggesting why and how strategic alignment influences firm performance.

In other words we will test the general hypothesis that the influence of strategic fit on all the outcome variables in our model is mediated by HRM sophistication. As discussed below, testing our model will require testing a host of sub-hypotheses. Here we postulate the main ones.

Based largely on our own conceptual arguments in chapter 3 we thus hypothesize that

Hypothesis 3: Strategic fit will be positively related to the perceived sophistication of the HRM system.

Based on our conceptual arguments and the empirical HRM literature we further hypothesize that

Hypothesis 4a: Strategic fit will be positively related to organizational performance in terms of profitability.

Hypothesis 4b: Strategic fit will be positively related to organizational performance in terms of quality of products and services.

Hypothesis 4c: Strategic fit will be negatively related to voluntary employee turnover.

### 7.2.3 The HRM system

In testing the proposed model we rely on the argument that, rather than individual HRM practices,

"HRM systems are the most appropriate level of analysis because they more accurately reflect the multiple paths through which HRM policies will influence successful strategy implementation" (Becker and Huselid, 1998, p. 55)<sup>227</sup>.

Guest has provided a schema for potential discrete effects of sub-groups of HRM practices in terms of skills, motivation, and flexibility (1997, p. 269). However, we will use the entire HRM system as the main explanatory variable also with reference to our intermediate variables since we agree with the claim that

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<sup>227</sup> However, as our empirical review of Delery and Doty (1996) beared witness to, there may be considerable complexities and variations with reference to the importance and influence of individual practices.

"any single practice may play a multifaceted role in the overall human resource system, [and] there is no clear conceptual basis for separating practices affecting [e.g.] motivation from those affecting [e.g.] skill" (MacDuffie, 1995, p. 203).

We still only test an HRM theory of performance at the level of a "broader framework linking HRM and outcomes" (Guest, 1997, p. 269). To the extent that the adequacy of such a framework can be established in more than one context, we could more fruitfully begin to look at more finetuned mechanisms/theoretical explanations. Conversely, if some such broader framework cannot be corroborated, researchers might have to go back to the drawing board/inductive/idiographic research and consider how a more adequate theoretical model could be built up from more detailed potential mechanisms of the effects of different practices/systems in different contexts.

It has been argued that the behavioral perspective developed in Jackson, Schuler and Rivero (1989), explains "how the HRM system creates new firm capabilities while [the RBV] emphasizes the attributes required for these capabilities to generate competitive advantage" (Becker and Huselid, 1998b, p. 3). The criteria postulated by the RBV and their arguably limited relevance/adequacy were discussed in chapter 4 above. The explanation offered by the behavioral perspective, in turn, seems to remain at the level of the statement that "competitive advantage is in part a product of HRM systems that elicit employee behaviors consistent with the firm's broader strategic and environmental contingencies" (ibid., p. 2). This is a straightforward but fairly unilluminating claim.

Guest discusses the possibilities of expectancy theory (1997, p. 268). However, tapping the causal logic of the expectancy theory would imply going beyond the broad HRM system level effects. As noted, such an attempt will not be pursued in this work. While a broad system level HRM theory of employee and organizational performance would seem to be compatible with an expectancy theoretical explanation of such performance effects, it is arguably difficult to separate its influence in terms of the elements of *actual* ability and motivation as required by the expectancy theory. In addition, motivation will arguably affect ability and vice versa. The concept of psychological empowerment would seem one way to account for this mutuality and the holistic influence of the HRM system on both ability (competence) and motivation.

Social exchange theory might be another candidate for understanding/explaining HRM's influence. The latter seems however itself in need of considerable development and specification and might be less suited for the kind of micro-analysis HRM research is involved in (Turner, 1987, pp. 223-238). Although, as we shall argue, social exchange theory seems unable to distinguish between the multitude of potential influences on the hypothesized intermediate variables, a broad understanding of social exchange offer plausibility to the hypothesis of HRM's *motivational* influence.

Need-satisfaction theories might offer some explanatory help in understanding the influence of HRM. With reference to Salancik and Pfeffer (1977), it has been argued that

“It is generally assumed in need-satisfaction theories that employees come to the workplace with some pre-dispositional needs (Salancik & Pfeffer, 1977). If these needs are satisfied, employees will have positive attitudes towards work, which in turn, will generate constructive behavior” (Law and Wong, 1999, p. 148).

Our model clearly contains such a general logic. However, it is not limited to this logic. As implied by social constructionism and arguments related to conditioning, HRM practices are largely also about producing needs and ways to satisfy needs, and not just to satisfy pre-dispositional needs.

With reference to the Job Characteristics Model (Hackman and Oldham, 1976, 1980) Law and Wong note that

“[t]he Model has been criticized for assuming a direct correspondence between objective and perceived job characteristics (Roberst & Click, 1981) and, thus, ignoring the potential effects of other factors such as social interactions on job perception and job outcomes (Salancik & Pfeffer, 1977). One reasonable research question in response to this criticism is to examine the relative effects of job perception and social interactions on job outcomes” (Law and Wong, 1999, p. 150).

This same criticism and response to it is relevant with reference to research on HRM – performance links. We should control for a host of social interactions which prior research has shown to be related to the intermediate variables in our model. However, the causal logic of HRM's influence is also likely to include a host of social interactions. This is also implied by the arguments and the model of HRM's influence offered by Ferris et al. (1998). Thus, we should either explicitly theorize the role of social interactions or include such variables as controls when testing the (more) direct influence of HRM systems on performance. The latter will be the primary strategy in the present study.

Ultimately, although our theorization may be compatible with many theories which offer plausibility to the hypothesized influence of HRM, in this research we do not put the explanatory power of any of these theories to a test. We will pursue our analyses in the absence of a more general theoretical explanation (or theoretically motivated causal logic) of system level effects of the HRM practices. Rather, what we primarily try to test is the adequacy of the arguments about the meaning of HRM presented in chapter 3. Thus, the more specific causal logic of the developed notion of strategic soft HRM is the theorization we attempt to test.

We propose to test the assumption that variation in strategic soft HRM as conceptualized in this study is sufficient (Bacharach, 1989, p. 506)<sup>228</sup> to produce differences in psychological empowerment, organizational commitment, organizational citizenship behavior, employee work performance and organizational performance. We will also test for mediated effects in accordance with the proposed model. As discussed below, this involves a host of sub-hypotheses. The more specific causal logic of HRM's influence on our chosen intermediate constructs, together with

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<sup>228</sup> Bacharach (1989) is still operating with an arguably simplified Popperian notion of falsifiability. For a critique of this, see Putnam (1974/1991).

hypotheses, will be further discussed below. Here we put forward the general overarching hypotheses that

Hypothesis 5a: The sophistication of the HRM system will be positively related to organizational profitability.

Hypothesis 5b: The sophistication of the HRM system will be positively related to customer satisfaction.

Hypothesis 5c: The sophistication of the HRM system will be negatively related to voluntary employee turnover.

#### **7.2.4 Intermediate consequences of HRM**

In the suggested model exhibited in figure 3 above, psychological empowerment is treated as a fundamental intermediate outcome of the basic HRM practices. The basic HRM practices should produce a fertile ground for it to develop. HRM practices are mainly as a group focused on two things, to produce motivation and competence. Perceived competence is one dimension of the concept of psychological empowerment we postulate as an outcome variable. Motivation is arguably closely related to all the dimensions of psychological empowerment, i.e. competence, meaning, influence and self-determination (Spreitzer, 1995). Thus, the concept of psychological empowerment seems to be an interesting parsimonious and suitably abstract outcome measure of HRM practices.

Organizational commitment as an outcome concerns more clearly only the motivational effects of HRM. It indicates the degree to which employees are motivated to stay with the organization and contribute to organizational performance. Because all the dimensions of organizational commitment lack the element of competence, organizational commitment in any form should arguably not have an as significant effect on employee performance as psychological empowerment<sup>229</sup>.

Organizational citizenship behavior, in turn, is also likely to be dependent on both motivation and competence. It has been argued that organizational citizenship behavior in the longer run can have positive effects on organizational performance. Assuming organization wide equilibrium effects this study will mainly test the explanatory role of OCB with reference to the organizational performance outcomes. Partly an employees' organizational citizenship behavior should arguably also have an effect on the performance of coworkers and thus indirectly on organizational performance<sup>230</sup>. We will however not test this hypothesis. Rather, we will test what should be conceived as a minimal requirement, i.e. that an employee's organizational citizenship behavior is at least consistent with more traditional measures of employee performance.

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<sup>229</sup> Below we will argue for a distinction between affective value commitment on the one hand and affective continuance commitment on the other hand, as depicted in the suggested model (figure 3 above).

<sup>230</sup> This effect on employee performance is however likely to be smaller than that of empowerment since organizational citizenship behavior after all largely only concerns helping and assisting others in their work, the lion part of which every employee has to handle with his/her own capabilities.

Of the four suggested intermediate employee attitudes, psychological empowerment should thus be the one most directly related to employee performance, incorporating aspects of both skill and motivation and a possibility to act on these. The model postulates that the effect of the HRM system on employee work performance is mediated by both psychological empowerment, affective value commitment and affective continuance commitment. The model also outlines potential internal relations between these employee attributes. The justifications for these relations will be pursued in more detail below.

Which of the multitude of available constructs potentially relevant as outcomes of HRM in fact ought to be included in a model of HRM and firm performance can only be settled by theoretically and empirically informed exploratory empirical studies in different contexts (compare Wright and Gardner, 2000, pp. 6-7).

#### 7.2.4.1 Psychological Empowerment

The general interest in empowerment is due to arguments as to the fact that

"[w]here performance was earlier a matter of what a person should do, modern work roles rely more on what he or she can, wants, and knows...[which] means that individuals [must] possess greater freedom *not to apply* certain norms in concrete aspects of the job" (Torbiorn et al. 1997b, p. 5)<sup>231</sup>

In this thesis we will utilize a concept of *psychological* empowerment which has been developed by Spreitzer (1995) who in turn based her construct on Thomas and Velthouse (1990).

In this line of research psychological empowerment has more specifically been defined as "intrinsic task motivation manifested in a set of four cognitions reflecting an individual's orientation to his or her work role" (Spreitzer, 1995, p. 1443). The following elements have been included in it:

**Meaning.** Meaning is the value of a work goal or purpose, judged in relation to an individual's own ideals or standards...

**Competence.** Competence, or self-efficacy, is an individual's belief in his or her capability to perform activities with skill...

**Self-determination.** Where competence is a mastery of behavior, self-determination is an individual's sense of having choice in initiating and regulating actions...

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<sup>231</sup> Becker and Huselid argue that "For example the contracting literature speaks directly to the challenges of relying on employee empowerment and teams as a method of strategy implementation...Firms understand that individual employees have valuable "local specific knowledge" (Becker and Huselid, 1998, p. 60). A related argument is also offered by Wright and Snell (1998, p. 766).



**Impact.** Impact is the degree to which an individual can influence strategic, administrative, or operating outcomes at work..." (Spreitzer, 1995, pp. 1443-1444).<sup>232</sup>

In line with Conger and Canungo we view empowerment "as a motivational construct – meaning to enable rather than simply to delegate" (1988, p. 474). It has been argued that "empowerment as an enabling process affects both initiation and persistence of subordinates' task behavior" (ibid., p. 476) whereas Thomas and Velthouse argued that it affects employees' activity, concentration, initiative, resiliency, flexibility (Thomas and Velthouse, 1990, p. 670)<sup>233</sup>. Fundamentally we view empowerment as *a result* of enabling practices. But it is also a process in that behavioral attributes that are likely to result from empowerment should "increase the likelihood that individuals will achieve outcomes that will, in turn, provide further evidence of competence, choice and impact on meaningful goals" (ibid., p. 673).

**HRM and psychological empowerment.** We argue that the HRM system should produce the prerequisites for and thus be a fundamental cause of psychological empowerment and thus of perceived autonomy and involvement as well as competence and meaning, regardless of job design. Although we also assume that job design is largely controlled for by our sample, as Spreitzer argues

"[t]he four dimensions of empowerment are viewed from the perspective of the individual; these *cognitions* complement the more objective, job-oriented characteristics and individual differences developed by Hackman and Oldham (1980). Consequently, from this cognitive perspective, it is possible for individuals to experience empowerment even if their "objective" job characteristics are not enriched, and vice versa" (Spreitzer, 1996, pp. 484-485)<sup>234</sup>.

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<sup>232</sup> Torbiorn conceptualizes the dimensions of psychological empowerment somewhat differently. He includes the notions of 'should', 'may', 'can', 'will', and 'know' (1997, pp. 3-4). His notion of 'may' comes close to Spreitzer's dimension of self-determination and his notion of 'can' comes close to Spreitzer's 'competence'. With reference to the other dimensions of psychological empowerment these two conceptualizations are more divergent. Torbiorn's notion of 'will' could be understood to come rather close to Spreitzer's 'meaning' (Torbiorn, 1997a, p. 18; ibid., 1997b, p. 7). Alternatively Torbiorn's notion of 'will' could perhaps be seen as an outcome of Spreitzer's understanding of psychological empowerment rather than part of such a concept. Torbiorn's notion of 'know' could perhaps be seen as an antecedent to Spreitzer's psychological empowerment, at least the dimensions of self-determination and competence. Torbiorn's notion of 'should' seems to be a more traditional concept of responsibility not included in Spreitzer's dimensions whereas Spreitzer's dimension of impact is not really included in Torbiorn's construct of psychological empowerment. In any event, these two different conceptualizations show that researchers have not settled for an agreed upon notion of psychological empowerment.

<sup>233</sup> We view empowerment as referring generally to *job* motivation rather than the more limited *task* motivation.

<sup>234</sup> Thus, the concept of psychological empowerment does not distinguish between more intersubjectively justified perceptions of empowerment e.g. in terms of competence, impact and self-determination on the one hand, and on the other hand, self attributions potentially depending e.g. on how well employees are paid, what benefits they enjoy and how secure they judge their employment to be. The self-perceptual/cognitive nature of psychological empowerment makes its explanatory role in terms of employee and organizational performance somewhat less clear although at least the motivational aspect seems to be straightforward.

Conger and Canungo review propositions as to management practices which should “heighten a sense of self-efficacy” (ibid., p. 478). Practices which should accomplish a heightened sense of empowerment include selection and training, open communications, extensive network-forming<sup>235</sup>, setting inspirational and/or meaningful goals (performance appraisals) and rewards systems (1988, p. 478). These practices are not only likely to influence empowerment in the sense of perceived self-efficacy, but also in the more general multidimensional sense of enabling.

Spreitzer argues that

“[c]ognitively, high-involvement [HRM] systems enable employees to better use information and to understand how they can influence organizational activities” (ibid., p. 485).

This should arguably influence psychological empowerment<sup>236</sup>. But high involvement HRM systems should be able to accomplish even more than this. We argue that psychological empowerment in multifaceted ways is likely to be largely dependent on selection processes, socialization processes, development programs, performance appraisals and communication processes. Also financial aspects (compensation, general benefits, employment security) can have (more) indirect influences on psychological empowerment by attracting and keeping competent employees in the organization, thus increasing the possibility of psychological empowerment. Thus we hypothesize that

Hypothesis 6: The sophistication of the HRM system will be positively related to psychological empowerment<sup>237</sup>.

It might be the case that strategic fit is the causally most effective variable as it focuses on the degree to which the HRM practices support the competencies, attitudes and behaviors needed to perform the work required to achieve business goals. It might thus be that strategic fit has a direct effect on psychological empowerment independent of the more holistic employee perceptions of the sophistication of the HRM system.

**Empowerment and employee work performance.** Spreitzer argues that empowered employees

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<sup>235</sup> Socialization practices is one form of activity, together with open communications and meaningful training, which can contribute to this.

<sup>236</sup> Spreitzer also argues that high involvement systems facilitate “employees’ trust in an organization and increase their sense of control, ego involvement, and identification with it” (ibid., p 485) and thus psychological empowerment. This understanding of the underlying causal logic brings fourth the connection between psychological empowerment and organizational commitment (and partly confuses the causal direction between them).

<sup>237</sup> The detailed logic of this production should be developed in an HRM theory of organizational performance. Partial explanations might be e.g. (low) role ambiguity, (high) access to resources, (high) participative unit climate (Spreitzer, 1996, pp. 487-490). Neither these specific mechanisms nor the other ones mentioned by Spreitzer (ibid., p. 485) are accounted for in our study.

“are likely to proactively execute their job responsibilities by, for instance, anticipating problems and acting independently, and hence are likely to be seen as effective” (1995, p. 1448).

Spreitzer also refers to Thomas and Velthouse's (1990) arguments that “empowerment will increase concentration, initiative, and resiliency and thus heighten managerial performance” (Spreitzer, 1995, p. 1448)<sup>238</sup>. Spreitzer further refers to arguments claiming that

“empowered individuals...are likely to be creative, ...innovative in their work, ...[and that] empowerment is important for stimulating and managing change in organizations” (ibid., p. 1449)<sup>239</sup>.

In addition, Spreitzer (1995, p. 1448) refers to evidence in the literature as to the consequences of each of the individual dimensions of empowerment which should make it even more plausible that psychological empowerment can affect work performance. Finally, Torbiorn argues that

“work situations in a growing number of jobs are no longer easy to specify or to standardize...A good performance thus requires organizational trust in subjective judgements, skills, will etc. on the part of the individual” (1997b, pp. 3-4).

Assuming that this is true with reference to the work (situations) of consultants, we thus hypothesize that

Hypothesis 7a: Psychological empowerment will be positively related to the quality and efficiency of employee's work performance.

Hypothesis 7b: Psychological empowerment will be positively related to employee's innovative behavior regarding products and services.

#### **7.2.4.2 Organizational Commitment**

The interest in the concept of organizational commitment has been related to its potential of

“generating flexible working, innovative problem solving and high levels of performance...[as well as] retaining loyal workers...[which] may be beneficial to customer service and quality [p. 593]...Commitment has generally been thought to encompass three components: identification (value congruency), involvement (absorption and willingness to exert considerable effort) and loyalty (attachment to the organization and a desire to stay in membership)...[I]dentification and involvement are forms

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<sup>238</sup> Both Spreitzer (1995) and Thomas and Velthouse (1990) discuss managers but there is no reason to limit the consequences to this type of employees.

<sup>239</sup> The latter part of this argument is congruent with Wright and Snell's arguments for the importance of behavioral flexibility rather than "standard operating procedures...[This should] increase the likelihood of the firm identifying new competitive situations and responding appropriately" (1998, p. 766). This argument provides additional reason, apart from the more straightforward potential employee performance effects, to expect organizational performance outcomes of psychological empowerment among employees.

of affective [or value] commitment, whereas loyalty corresponds more closely with continuance commitment [p. 595]" (Fenton-O'Creevy, Winfrow, Lydka and Morris, 1997, pp. 593-595)<sup>240</sup>.

Often all these three dimensions have been viewed as forming affective or psychological commitment (e.g. Sjöberg, 1997, p. 11). Notwithstanding the popularity of the concept of organizational commitment the fact is that

"Commitment has been studied from so many different theoretical perspectives...that [already] Hall (1977) remarked that we might better abandon the term altogether and deal instead with a set of concepts, each focused on one or another aspect of commitment" (Angle and Perry, 1981, p. 1).

Peccei and Guest have also called "for work to explore whether ...[the above mentioned] separate factors show different relationships to antecedents and outcome variables" (Fenton et al., 1997, p. 596). Fenton-O'Creevy et al. note that the Organization Commitment Questionnaire (OCQ), also tapping the dimensions outlined above, has "been criticized for confusing commitment and its outcomes" (1997, p. 594).

The different dimensions or aspects of organizational commitment in terms of identification, involvement and loyalty can in fact be understood as associated with at least two different general phenomena, i.e. the decisions to participate and to produce respectively. With reference to this distinction, Angle and Perry argued that a

"committed member's definite desire to maintain organizational membership would have a clear relationship to the motivation to participate. Willingness to exert considerable effort on behalf of the organization and the belief in and acceptance of the organization's goals, in combination, have implications for the member's motivation to produce for the organization" (1981, p. 2).

Apart from the tautological character of two thirds of this argument, it might be argued that Angle and Perry in fact still do not recognize a difference between the dimensions of identification and involvement. According to Mayer and Shoorman, March and Simon argued

"[that] the considerations that lead to the decision to participate are based on the notion of exchange between the individual and the organization. The inducements provided by the organization are balanced against the contributions required in order to maintain membership [and that] the strength of identification with the goals and values of the organization leads to a decision to produce" (Mayer and Shoorman, 1998, pp. 18-19)

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<sup>240</sup> As noted by Fenton-O'Creevy et al. there are several conceptualizations and operationalizations of organizational commitment. In fact, already in 1983 there were "over 25 commitment-related concepts or measures" (Caldwell et al., 1990, p. 247). Fenton-O'Creevy et al. utilize the BOCS (British Organizational Commitment Scale) originally developed for "UK blue-collar workers" (1997, p. 595). The dimensions/aspects of this scale are however similar to those in the widely used OCQ (Organizational Commitment Questionnaire) as developed by Mowday, Steers and Porter (1979).

In accordance with this clearly non-tautological argument also the involvement-dimension of the concept of commitment outlined above should arguably be distinguished from and understood as an outcome of the dimension of identification rather than being part of the same multidimensional construct, sometimes understood as affective commitment (Fenton-O'Creevy et al., 1997, p. 595). Sjöberg argues that both the dimensions of involvement and the (affective) desire to stay are clearly outcomes of the dimension of identification (1997, p. 12).

But also influences in reverse directions are plausible. The more involved one is (for whatever reasons), the more one may begin to desire to stay (loyalty) and the more one may begin to identify with the organization. The more loyal one is (for whatever reasons) the more one may begin to be involved and the more one may begin to identify with the organization.

Even further, distinctions within the dimension of continuance commitment (influencing the decision to participate) have also been made. Conceptually, continuance commitment would seem partly, in the form of a desire to stay, to be an outcome of at least identification but arguably also involvement, and partly, in the form of a need to stay, an outcome of items not primarily influencing or influenced by identification/involvement such as the ease of movement due to costs of leaving (side-bets) and/or low perceived alternatives (Iveson and Buttigieg, 1999, pp. 308; 309)<sup>241</sup>.

The structure of organizational commitment and the relations between the dimensions can clearly be complex<sup>242</sup>. Conceptually, at least the "passive" component of identification and the "active" component of involvement might be argued to be close enough to conceptually justify a multidimensional construct of affective (value) commitment. Such a multidimensional construct would seem to potentially be influenced by the HRM system and potentially influencing work performance.

Also (affective) continuance commitment (in terms of a *desire* to stay) would conceptually seem likely to be influenced by the HRM system. In particular in a context of performance pressures such as the consulting industry, it is also conceivable that such continuance commitment might influence employee performance<sup>243</sup>.

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<sup>241</sup> Sjöberg (among many others) views commitment in terms of "the individuals calculative bond with the organization" based on perceptions "of the costs and benefits associated with organizational membership" (1997, p. 11) as clearly distinguishable from a conceptualization of commitment as a psychological bond in terms of identification, involvement and a desire to stay (ibid., p. 11). Thus, also Sjöberg marks out the distinction between continuance commitment in terms of a desire to stay and a more instrumental continuance commitment affecting the decision to participate based on side bets. However, also the desire to stay (at least as reflected by the component of loyalty in the BOCS measurement instrument to be presented in section 8.3.4) may be more instrumental/calculative than what is assumed by such arguments. In fact as we will suggest, also identification and involvement are likely at least partly to be the result of calculative elements.

<sup>242</sup> It might be noted that the concept of psychological empowerment has a much shorter history and that in time similar complexities might arise with reference to its dimensions.

<sup>243</sup> At least Angle and Perry (1981) and Mayer and Shoorman (1998, 1992) have found evidence for such a distinction between two factors of commitment.

With reference to a distinction between value and continuance commitment, Mayer and Shoorman noted that

“[t]he correlation between value and continuance commitment [0.59 in their sample (1992, p. 677)] suggests that the dimensions represent overlapping conceptual space” (ibid., p. 679).

Huselid and Day, in turn, more explicitly referring to calculative continuance commitment argued that

“Prior work (...Mathieu & Zajac [among others]...) indicates that both facets are necessary to adequately explain organizational commitment...the large theoretical and empirical overlap ( $r = .50$ ) between these two dimensions of commitment suggests that neither should be examined in isolation” (Huselid and Day, 1991, p. 381)<sup>244</sup>.

Based on their meta-level analysis Mathieu and Zajac themselves drew the conclusion that

“attitudinal and calculative commitment are not entirely distinguishable concepts [but] the two forms of OC are sufficiently distinct to permit comparisons between their relative relationships with other variables” (1990, p. 172).

However, Mayer and Shoorman argued that Mathieu and Zajac's meta-analysis suffered from a questionable classification of measures of different forms (dimensions) of commitment (Mayer and Shoorman, 1998, p. 17). Clearly there is considerable confusion and controversy regarding the concept of organizational commitment.

This is arguably a consequence of the already indicated disturbing feature in the literature that researchers have used, and seem to continue to use the concept of value (attitudinal or affective) commitment and continuance commitment with less than desirable inter-subjective agreement.

In Meyer and Allen (1984; 1987; 1991) and Allen and Meyer (1990; 1996) as well as e.g. Janos (1995) affective commitment is conceptualized as “emotional attachment to, identification with and involvement in the organization” (Meyer and Allen, 1991, p. 67). As measured by the ACS this construct is conceptually close to the notion of a complete uni-dimensional construct of affective commitment as measured both by the BOCS and by the OCQ. The constructs of commitment as measured by the OCQ and the ACS have also empirically been found to correlate highly, with correlation coefficients varying between 0.71 and 0.89 (Meyer and Allen, 1996, p. 262). While not identical, these constructs are thus both conceptually and empirically closely related.

In contrast to the unidimensionality of such notions of affective commitment, Mayer and Shoorman (1992; 1998), as already indicated, provided evidence of the distinctive nature of *value commitment* consisting only of items corresponding to the two

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<sup>244</sup> However, e.g. in Iverson and Buttigieg the correlations between affective commitment and either of two calculative commitment scales were not particularly high (1999, p. 320).

dimensions of identification and involvement, and a construct of continuance commitment in terms of a desire to stay. This is in line with Fenton-O'Creevy's characterization of the dimensions of *affective* commitment and continuance commitment (above) as measured by the BOCS instrument (1997, p. 595). As indicated above, and despite the fact that Fenton-O'Creevy (ibid.) as reviewed below showed some evidence of the discriminative nomological validity of all three components/aspects/dimensions included in the BOCS, this "two dimensional" notion of affective/value commitment is also what we will try to identify in the present study.

Further, the notion of *continuance commitment* has been treated differently in the literature. As noted by Sjöberg. (1997, p. 11) a calculative notion of continuance commitment was originally developed by Becker (1960). Mayer and Shoorman's (1992; 1998) construct of continuance commitment (developed by Schechter, 1985) is in an explicit way ambiguous between the basis in terms of a (calculative and/or psychological/attitudinal) desire to stay and a more negative (more clearly calculative) need to stay (Mayer and Shoorman, 1992, pp. 682-683). The notion of continuance commitment (or loyalty) as measured by the BOCS is not as explicitly ambiguous with reference to a desire and a need to stay but neither does it make a clear distinction between these aspects or bases of continuance commitment. In their studies Meyer and Allen have developed and utilized a construct of continuance commitment measured by CCS including items which are intended to "exclude affect" (Brown, 1996, p. 242). In their study Huselid and Day utilized yet a different continuance commitment scale as developed by Alutto, Hrebiniak and Alonzo (1978) in addition to the OCQ measuring attitudinal or affective commitment (Huselid and Day, 1991, p. 383). It has been argued that empirical evidence does not support the fact that Alutto et al.'s scale of continuance commitment would measure the same thing as Allen and Meyer's CCS (ibid., 1996, p. 257). Lastly, as already indicated there is also evidence indicating that the CCS notion of continuance commitment in fact incorporates two differentiable constructs of calculative continuance commitment (Allen and Meyer, 1996, pp. 258-259). However, in contrast to e.g. Janos (1995), Allen and Meyer note some evidence supporting the practical irrelevance of distinguishing between the subscales (ibid., p 259).

In addition to these different constructs, Meyer and Allen have also introduced a dimension in terms of *normative commitment* (sense of obligation to retain membership). This dimension has been argued to be nomologically more complicated and less adequate than perhaps the other ones (Mayer and Shoorman, 1998, p. 25). In any case, in a large overview Allen and Meyer (1996) argue that the discriminative validity of affective, normative and continuance commitment as developed by these authors has considerable support in the literature. Allen and Meyer refer to evidence for acceptable test-retest reliabilities (ibid., p. 255) as well as a number of studies providing factor analytic support for the distinction between the ACS, NCS and CCS (ibid., pp. 255-258). With the exception of a few studies most of the factor analytic support is limited to the commitment scales only. However, Moorman, Niehoff and Organ (1993) included the scales of ACS and CCS, five separate dimensions of organizational citizenship behavior, procedural justice, work satisfaction and in-role behavior (1993, p. 215). Nevertheless, in their measurement model and subsequent structural equation models they included scale scores for all variables except their construct of procedural justice. Thus, they did not provide evidence of the discriminative or convergent validity of the ACS or CCS with reference to the

included constructs. In fact, since they included all the scale scores in the measurement model one may suspect the reverse. Allen and Meyer (1996, p. 258) report that Shore and Tetrick (1994) provided evidence of the discriminative and convergent validity between ACS, CCS, job satisfaction and perceived organization support<sup>245</sup>.

The complex potential relationships exhibited by affective, normative and continuance commitment (in terms of an ease of movement) as well as some empirical evidence of the discriminative validity of the *two aspects of such continuance commitment* is both shown and discussed by Jaros (1995). Iverson and Buttigieg provide (as well as refer to) some evidence indicating that the two cost-related subscales of continuance commitment might be “differently related to affective commitment” (Iverson and Buttigieg, 1999, p. 309). In fact, as judged by the evidence in Iverson and Buttigieg (1999) and Hartmann (2000), the two subscales of continuance commitment appear to be differently related to affective commitment *in different samples*. In the former case 'Low perceived alternatives' appear to be significantly and negatively related, while 'High sacrifice of leaving' is not significantly related to their construct of affective commitment. In the latter case 'High sacrifice of leaving' is significantly and positively related, while 'Low perceived alternatives' is not significantly related to their construct of affective commitment.

In addition to these complexities, distinctions have also been made between both *foci* of commitment (e.g. coworker, superior, top management, organization as well as family, union etc) and, in addition to the *bases* of commitment in terms of identification, involvement and desire to stay, at least two bases of commitment in terms of internalization and compliance (Becker, 1992). However, the distinction between internalization and identification has, in particular with reference to the foci of top management, not been very successful (Hunt and Morgan, 1994, pp. 1574-1575). The distinction between different foci of commitment have not either been successful with reference to the dimension (or basis) of commitment in terms of compliance (ibid., p. 1575).

Despite all this complexity, as already indicated, based upon the arguments by March and Simon reviewed above and in line with the evidence in Mayer and Shoorman (1992; 1998), in this study we will attempt to separate one two dimensional construct of affective (organizational) commitment (in terms of identification and involvement as measured by the BOCS) and a one dimensional construct of continuance commitment (in terms of a desire to stay with the organization as measured by the BOCS). Further, also the evidence that continuance commitment as measured by the CCS is negatively, while ACS appears positively correlated with employee performance (Allen and Meyer, 1996, p. 269; Meyer et al., 1989) provides some justification for the lesser relevance of CCS as a focal variable in an HRM theorization of organizational performance. While using the above mentioned

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<sup>245</sup> Shore and Tetrick (1994) do provide some support for the validities of these constructs. However, it is only in terms of 4 shortened composite scores for each of the constructs (ACS; CCS; OCQ) and perceived organization support as well as single item composite indicators for each facet of job satisfaction (the latter items did not form a satisfactory construct at all). An additional weakness of their evidence is that it appears that in none of the models did the p-value for the chi-square statistic rise above the recommended minimi value of  $p = 0.05$ .



constructs we will, among other things, (somewhat imperfectly) try to control for relationships with at least (the "foci" of) co-workers and superiors as well as the need to stay as outlined in section 8.2.2.

Below we will review some empirical evidence as to the distinctive nature of the dimensions (primarily) in terms of value and continuance commitment. Both Fenton O'Creevy et al. (1997) and Mayer and Shoorman (1998) regarding antecedents, and Angle and Perry (1981) and Mayer and Shoorman (1992) regarding consequences of organizational commitment hypothesize and provide some evidence as to the fact that the two dimensions in terms of value and continuance commitment are "primarily related" (Mayer and Shoorman, 1998, pp. 18-21) and "are more sensitive" (Angle and Perry, 1981, p. 3) to different variables.

**Antecedents of commitment.** Fenton-O'Creevy et al. (1997) provided evidence for a distinctive structure of antecedents with reference to all the dimensions in terms of identification, involvement and loyalty.

What they analyzed was the effect of career expectations and one variable measuring future industry and organizational prospects. The former had significant positive relationships to identification and loyalty but no relation to involvement. The latter, future industry prospects, had a positive relationship to loyalty but a negative to involvement<sup>246</sup>. Fenton-O'Creevy et al. draw the conclusion

"that the three sub-components [of the BOCS construct] cannot be said to add up to an overall measure of organizational commitment, as each measures different phenomena..." (1997, p. 606).

Mayer and Shoorman (1998) analyzed the structure of certain antecedents relations to value and continuance commitment respectively<sup>247</sup>.

In their correlational analyses most variables had compatible significant, albeit statistically distinct, correlations with both dimensions of commitment. Of the variables included, only *tenure* and *age* were related only to continuance commitment. Only *prestige of the organization* was related only to value commitment (ibid., p. 23). Mayer and Schoorman conclude that a "two dimensional construct representing value and continuance commitment are both theoretically and empirically distinguishable" (ibid., p. 25). However, Mayer and Shoorman also refer to some research contradicting their own results e.g. with reference to the relationships between dimensions of commitment and tenure and age (ibid., pp. 18-19).

Mayer and Shoorman (1998) also analyzed the differences in model fit between (essentially) two structural models. They tested one model where, on the basis of March and Simon's arguments referred to above, distinct antecedents were estimated

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<sup>246</sup> They offer a number of allegedly sample specific explanations as to the fact that future expectations had a negative effect on employee involvement (ibid., p. 605).

<sup>247</sup> Although tapping similar phenomena as the dimensions in terms of identification, involvement and loyalty analyzed by Fenton et al. (1997), Mayer and Shoorman thus used clearly different measurement instruments for their two dimensions. Their measurement instrument is exhibited in Mayer and Shoorman, 1992, pp. 682-683).

to be related only to one of the distinct dimensions of continuance commitment and value commitment respectively. The other model involved a test of all antecedents' relations to both dimensions of commitment. In the latter analysis they restrained the relations of each antecedent to be *equal* to both dimensions. By so restricting the parameters, Mayer and Shoorman received some support for the fact that the first model with distinct antecedents for the two distinct dimensions of commitment better fitted the data (1998, pp. 23-24).

In fact, by imposing their parameter restrictions Mayer and Shoorman somewhat paradoxically assume that the choice concerns on the one hand, organizational commitment involving completely separate dimensions, and on the other hand, organizational commitment as a perfect *uni-dimensional* construct. However, as soon as we acknowledge the *multidimensionality* and/or imperfection in the dimensions/items of commitment there are likely to be somewhat differing antecedents with respect to these dimensions.

Although there may be distinct and even contradictory relations between particular antecedents and particular dimensions of commitment, there may nevertheless be consistent and robust effects of more comprehensive antecedents and some form of multidimensional commitment construct. With reference to current knowledge it seems that the question still is whether any separate suggested dimensions add up to a second order multidimensional construct at all, and with reference to what antecedents (and/or consequences) different dimensions are nomologically interestingly distinguishable. Fenton-O'Creevy et al. (1997) and Mayer and Shoorman (1998) only showed that at least with reference to some antecedents, different dimensions may show distinct relationships which may be interesting to acknowledge in some circumstances<sup>248</sup>.

Among all the relationships Iverson and Buttigieg (1999) analyzed, involving also some HRM practices, there was no indication "that managing the forms of commitment...[would] pose any inconsistencies in policy formulation" (ibid., p. 329)<sup>249</sup>.

With a somewhat more specific reference to HRM, however, Caldwell et al. identified some potential inconsistencies between a broad measure of career paths (or "rewards"; 1990, p. 251) allegedly inducing instrumental commitment but being negatively correlated with value commitment while other "practices" (one variable related to selection/recruitment and another related to firm and employee values; ibid., p. 251) were positively related to value commitment (ibid., 257). However, when they

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<sup>248</sup> The variables which have been shown to have different effects on different dimensions of a multidimensional commitment construct should be controlled for when analyzing potentially congruent antecedents of such a construct. With reference to such attempts, at least organizational prospects and some variables related to career prospects, employee age, tenure and organizational image would thus be important controls.

<sup>249</sup> Iverson and Buttigieg utilized conceptualizations of the dimensions of organizational commitment which differ both from those used by Fenton-O'Creevy et al. (1997) and Mayer and Shoorman (1998). Iverson and Buttigieg included dimensions of affective and normative commitment as well as two subscales of continuance commitment (ibid., pp. 315; 319-320).

included controls, no significant relations between any of the HRM dimensions and instrumental commitment was found (*ibid.*, p. 255)<sup>250</sup>.

Judging the relevance of their results with reference to our research is made difficult because their measures of instrumental commitment differ significantly from the measure of continuance commitment used in the present study (Caldwell et al., 1990, p. 252). Further, in their analyses they used orthogonal factor scores which hindered both correlations between all the HRM practices on the one hand, and instrumental and value ("normative") commitment on the other hand. Their analyses thus pick out variation e.g. in career paths ("rewards") which is uncorrelated with variation in the rest of the HRM practices. However, the effect of something like career paths may differ depending on the rest of the HRM practices. The idea in HRM research is precisely that the HRM practices may have synergistic effects. There may also be some interesting common relationships between their independent variables and the dimensions of commitment which they leave unrecognized due to the use of orthogonal factor scores also for the dimensions of commitment. In addition their results may overestimate the relations between the identified HRM practices and the dimensions of commitment because they do not control for many other HRM practices (and only a few other phenomena) which may affect the dimensions of commitment. However, they provide some tentative evidence of the fact that "instrumental career paths" on their own may diminish value commitment and that instrumental commitment may not be affected by any of the orthogonalized HRM practices included in their study<sup>251</sup>.

The prevalent use of different conceptualizations of organizational commitment makes it almost impossible to draw any simple general conclusions based upon earlier research. However, a quick review shows that research has indicated some distinctive relationships between different dimensions of commitment and antecedents. The theoretical arguments that are often offered is that continuance commitment (a decision to participate) and value commitment (a decision to produce) may be based upon two different underlying processes in terms of instrumental exchange and (psychological) identification respectively<sup>252</sup>. However, despite these arguments we tend to agree with Ogilvie who argued that

"instead of treating the exchange [or calculative] and psychological approaches as distinct conceptualizations..., they may be more

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<sup>250</sup> Caldwell et al. utilized yet another conceptualization of organizational commitment compared to Fenton O'Creevy (1997), Mayer and Shoorman (1998) and Iverson and Buttigieg (1999).

<sup>251</sup> The weakness of their study seems to be the non-existence of a clear theoretical rationale for why the identified career paths would diminish value commitment. An obvious strength of their analyses involved the attempt to remove common method bias (*ibid.*, p. 249; 253).

<sup>252</sup> As already touched upon, the exchange perspective explains "commitment as a function of a cognitive evaluation of the costs and benefits of maintaining organizational membership" (Ogilvie, p. 338). The psychological perspective, on the other hand, can be interpreted as explaining commitment by claiming that "to the extent that organizational experiences are viewed as helping individuals to attain mastery and support, individuals will identify with the organization and feel committed to it" (*ibid.*, p. 338).

appropriately viewed as two related processes resulting in the same outcome" (1987, p. 339)<sup>253</sup>.

In line with Ogilvie, we argue that to the extent that HRM practices can explain OC (in terms of identification, involvement and desire to stay) the mechanisms associated with any of these dimensions arguably are a function of both cognitive/evaluative and psychological/identificatory processes.

However as already noted, based upon the above review we will in our study attempt to use two different constructs of commitment, i.e. affective (value) commitment consisting of the dimensions in terms of identification and involvement on the one hand, and continuance commitment in terms of a desire to stay on the other hand. By using control variables we also try to distill the positive aspect in terms of a desire to stay from any form of continuance commitment based upon side-bets.

The potential of any effects of HRM on organizational commitment is interesting since

"[a]lthough there is a large body of literature on the importance of organizational commitment, until recently there has been little empirical evidence on 'how to' obtain a committed workforce" (Iverson and Buttigieg, p. 326).

Iverson and Buttigieg provided some evidence of relationships between certain individual HRM practices and different forms of commitment (1999, p. 323; 326-327). Their identification of these relationships may however still be biased because of correlations between included and excluded HRM practices (Becker and Huselid, 1998, p. 62). Although it appears important also to analyze the relationship between individual HRM practices and different forms of commitment, we argue that more robust relationships should be found between such commitment and a system level sophistication of HRM.

Thus, with reference to a broad notion of both cognitive/evaluative and psychological/identificatory processes, and based on the general arguments for system level HRM effects, we hypothesize that

Hypothesis: 8a: The degree of sophistication of the HRM system will be positively related to affective (value) commitment

Hypothesis 8b: The degree of sophistication of the HRM system will be positively related to continuance commitment<sup>254</sup>

It might however be the case that strategic fit is the causally most effective variable as it focuses on the degree to which the HRM practices support the competencies,

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<sup>253</sup> In line with Farrell and Rusbult's (1981) reward-cost paradigm as utilized by Iverson and Buttigieg (1999, p. 313) one might even argue that there is only one process in terms of different dimensions of rewards and costs.

<sup>254</sup> An exchange theoretical argument for a mediational role of psychological empowerment can be evoked in terms of the implicit idea that empowerment is what employees desire. This argument will be further justified in connection to the review of relevant control variables in chapter 8.

attitudes and behaviors needed to perform the work required to achieve business goals. It might thus be that strategic fit has a direct effect on organizational commitment over and above the more holistic employee perceptions of the sophistication of the HRM system.

**Consequences of organizational commitment.** In terms of correlational analyses Angle and Perry (1981) provided some evidence as to distinct consequences of value and continuance commitment. ‘Intent to quit’ was significantly related only to continuance commitment and ‘tardiness’ was significantly related only to value commitment (ibid., p. 9)<sup>255</sup>.

Mayer and Shoorman also found evidence, based on zero-order and first-order partial correlations, for the fact that the different dimensions of value and continuance commitment have different relations to a set of outcomes (1992 p. 679). However, in distinction to Angle and Perry’s results, Mayer and Shoorman’s analyses indicated that both value commitment and continuance commitment were almost exactly equally correlated with ‘intent to quit’ (1992, p. 679). In general, value commitment was correlated with both the expected “continuance-commitment-outcomes” and a range of employee performance outcomes. The latter were not related significantly to continuance commitment.

Conceptualizing organizational commitment in somewhat different terms, also Iverson and Buttigieg provide evidence for the fact that affective (value) commitment tends to explain expected continuance commitment outcomes such as turnover intentions and absenteeism even better than any of their dimensions of continuance commitment (1999, p. 325).

Based on this one might question the (theoretical) utility of including continuance commitment in studies of organizational commitment (Mayer and Shoorman, 1992, p. 681). In particular in an HRM theory, from the organizational point of view, we would be less interested in continuance commitment per se, than in commitment which is likely to lead to performance *and* continued membership in the organization. For these purposes (components of) value commitment seem to do a satisfying job.

“[V]alue commitment did a very creditable job in predicting all the outcomes in the study [including outcomes conceptually more closely related to continuance commitment]” (ibid., p. 681).

Nevertheless, there seem to be something of potential interest also in continuance commitment from the perspective of a HRM theory of organizational performance. One potential difference between value and continuance commitment might be that

“individuals who are value-committed may indicate that they intend to stay in an organization, but if they are not continuance committed, will leave when the opportunity presents itself” (ibid., p. 681).

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<sup>255</sup> In their analyses a composite score of all the items of commitment was significantly related to every variable which some of the separate dimensions were significantly related to. The magnitudes of the correlations, however, varied to some extent.

Iverson and Buttigieg also note that there are conceptual differences between potential motives of value and continuance commitment. It might be that

“employees with strong affective commitment remain because they feel they *want* to,...[while] those with strong continuance commitment remain because they feel they *need* to” (1999, p. 309).

Mayer and Shoorman argue that

“The key evidence for the inclusion of continuance commitment is its significantly stronger relationship with quitting, the behavioral outcome most clearly conceptually linked with continuance commitment” (1992, p. 681).

Iverson and Buttigieg also identified some other differences in outcomes with reference to an individual performance measure in terms of accepting change. In their study, the component of continuance commitment in terms of ‘low perceived alternatives’ (to the current employment relationship) negatively affected attitudes to change while value commitment was positively related to it (1999, p. 325)<sup>256</sup>.

We should perhaps find a way to sort out the negative consequences from the positive ones of continuance commitment. It has to be noted that in the argumentation above Mayer and Shoorman (1992) refer to a different concept of continuance commitment compared to the “purely” calculative one in Iverson and Buttigieg (1999) and Meyer et al. (1989). According to Mayer and Schoorman, March and Simon

“proposed that in the context of [the] inducements/contributions calculation [leading to a decision to participate], two major variables weigh into the participation decision: perceived desirability of movement and perceived ease of movement” (Mayer and Shoorman, 1998, pp. 18-19).

As suggested by a fair amount of earlier research, Iverson and Buttigieg (1999) included items of two different components of commitment related to continuance commitment which do not measure the *desire* to stay with the organization but only the ease of movement. Thus, they identify only the need stay because of low perceived alternatives and high sacrifice of leaving<sup>257</sup>. With reference to a concept of continuance commitment in terms of a desire to stay (i.e. desirability of movement), with appropriate controls for the need to stay (i.e. the ease of movement), we should be able to more adequately tap the differences in the degree to which employees *want*

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<sup>256</sup> As already noted, there is also some other evidence indicating that “the wrong kind” of continuance commitment (that based on side-bets, low perceived alternatives as well as both of these together) might be negatively correlated with employee performance (Meyer, Paunonen, Gellatly, Goffin and Jackson, 1989, p. 154).

<sup>257</sup> Iverson and Buttigieg do provide some evidence of the discriminative validity of all the dimensions of organizational commitment as measured by ACS, NCS and the two subscales of CCS. However, the p-value of the chi-square statistic remained clearly unsatisfactory and the loadings of three of the four items reflecting normative commitment were on the lower side (ibid., p. 319). In general, the interpretation of their study is made difficult by the fact that they do not provide any fit statistics of their structural models related to antecedents (ibid., p. 323) and outcomes (ibid., p. 325) of the dimensions of commitment. In fact they do not provide any information on what kind of constructs they used in their models.

to stay in distinction to both a *need* to stay and affective commitment in terms of identification/involvement. At least in the present study, as already indicated, we attempt to use a notion of continuance commitment or loyalty which should tap also the desire to stay with an organization. By controlling for at least some aspects of ease of movement we try to distill the effect of a desire to stay.

Concerning performance related outcomes, Becker et al. argue that in general

“the relationship between organizational commitment and job performance is more tenuous [than its relationship to absenteeism and employee turnover]” (1996, p. 464).

In fact, based upon their meta-analysis, Mathieu and Zajac argued that “commitment has relatively little direct influence on performance in most instances” (1990, p. 184). At least partly because of the tenuous evidence of relationships between commitment and job performance further distinctions related to organizational commitment, which we already noted above, have been suggested.

“[A] number of theorists and researchers have begun to view employee commitment as having multiple foci and bases...With respect to the bases of commitment, early research suggested that different motivational processes underlie single attitudes [in terms of compliance, identification and internalization]” (Becker et al., 1996, p. 465).

With reference to such motivational processes, Becker et al. note that the “factor analytic support for the distinction between identification and internalization is mixed” (ibid., p. 466). The authors report some further evidence for an empirical distinction between these bases of commitment as well as their different foci in terms of supervisors and organizations (ibid., p. 472)<sup>258</sup>. They argue that

“[i]n retrospect, it is not surprising that overall commitment to an organization is largely unrelated to employee performance. A cogent theory for why identification with and involvement in an organization should directly promote job performance has not been developed” (ibid., p. 466).

However, somewhat strenuously we think, Becker et al. argue that while commitment based on identification should not be related to job performance (ibid., p. 467) commitment based on “the internalization of goals and values seems likely to predict performance” (ibid., p. 468). In any case, Becker et al.’s (1996) results indicate first of all that overall supervisor focused commitment rather than organization focused commitment and overall commitment based on identification rather than internalization are related to performance (ibid., p. 475). Separating both the foci and the bases of commitment, the results indicate that supervisor focused internalization is significantly positively related to employee performance while organization focused internalization is significantly negatively so related (ibid., p. 475). However, there seems to be no very good explanation for the latter relationship. Neither supervisor

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<sup>258</sup> However, they did not provide any p-value for the chi-square statistic for their confirmatory factor analyses. Thus, in terms of their results the factor analytic support for the distinctions is still unsatisfactory.

nor organization related identification were significant in this analysis<sup>259</sup>. In general, we think that one may still be sceptical with reference to the distinction between and content validity of ‘identification’ and ‘internalization’ applied in their study<sup>260</sup>.

Becker et al.’s (1996) conclusions also remain largely ambiguous as they did not include other controls than age, gender, tenure and impression management. With more controls there might not have been any significant relations at all between commitment and work performance. Becker et al. argue that

“[h]ad the purpose of this study been to explain variance in performance, we would certainly have included a whole host of variables – cognitive ability and goal difficulty, for instance – not contained in the present investigation. However, the objectives of this study were to examine the links between different types of commitment and performance and to test three specific hypotheses [concerning the relation between different forms of commitment and job performance]” (ibid., p. 479).

We argue that to the extent that that was the purpose, the authors should also have controlled for “a whole host of” elements possibly affecting performance but potentially not affected by commitment<sup>261</sup>. Nevertheless, Becker et al.’s study provide further evidence of the fact that the case of the effects of commitment as well as the proper construct(s) of commitment still seems to be largely open to debate. The consequences of different forms of commitment clearly seem in need of further evidence, in particular evidence including appropriate controls and different contexts.

As noted by Angle and Perry,

“the impact of employee commitment depends, not only on what employees are committed to do, but also on what the potential is for

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<sup>259</sup> Their results may be involved in severe multicollinearity problems. They did however perform ridge regressions (ibid., p. 476) which they interpreted as indicating no such problems.

<sup>260</sup> Although utilizing somewhat different items, for example Williams and Andersson ended up combining dimensions of internalization and identification (1991, pp. 608-609). Also Caldwell et al. (1990), using the same items as Williams and Andersson (1991) found one common factor for these items conceptually interpreted to be related to identification and internalization respectively. Further, Hunt and Morgan (1994) offer a conceptualization where different foci and basis are not viewed as competing explanations. In their study different sub-organizational foci, all including both dimensions of identification and internalization, are conceptualized as antecedents to global organizational commitment. This is more in line with our conceptualization, and as we shall see, in particular more in line with our exploratory extension of our overall model. In any case, we cannot distinguish between the different basis in terms of internalization and identification. In fact, complicating the matter even further our dimension in terms of identification is closer to Becker et al.’s (1996) notion of internalization than their notion of identification. In addition, we cannot explicitly and directly differentiate between supervisor and organization focused commitment. In the discussion of controls we will however argue that indirectly we will approximate such a distinction.

<sup>261</sup> The argumentation of Becker et al. is at least partly echoed in Huselid and Becker (1996). “The focus of this article is not a completely specified model of firm performance. Our goal is to develop a sufficiently specified model such that the estimated effects of HR strategy on firm performance are unbiased” (1996, p. 406). The meaning of such effects, without trying to control for “a host of” potentially related variables, is difficult to determine.



specific behaviors to influence organizational outcomes...[as well as the] availability of a replacement labor pool" (ibid., p. 11).

In the present sample from the consulting industry, where employees face considerable performance pressures as well as arguably relatively high possibilities to influence organizational outcomes, we do not exclude the possibility that both organizational value commitment and organizational continuance commitment in terms of a desire to stay could have an effect on employee performance<sup>262</sup>.

In light of (and despite of) the review above, we consider it interesting both to try to validate a multidimensional second order construct of affective (value) commitment as well as study the effects of the two potentially identifiable distinct aspects of organizational commitment, i.e. what may be referred to as affective (value) commitment and a potentially organizationally positive (affective) continuance commitment<sup>263</sup>. We hypothesize that

Hypothesis 9a: Value commitment will be positively related to the quality and efficiency of employee work performance

Hypothesis 9b: Value commitment will be positively related to employee's innovative behavior regarding products and services.

Hypothesis 9c: Continuance commitment will be positively related to the quality and efficiency of employee work performance

Hypothesis 9d: Continuance commitment will be positively related to employee's innovative behavior regarding products and services.

Hypothesis 9e: Value commitment will be negatively related to employee turnover

Hypothesis 9f: Continuance commitment will be negatively related to employee turnover

#### 7.2.4.3 Organizational citizenship behavior

"Work behavior that is in some way beyond the reach of traditional measures of job performance but holds promise for long-term organizational success is receiving increasing theoretical attention as the challenge of global competition highlights the importance of organizational innovation, flexibility, productivity, and responsiveness to changing external conditions. In the last decade, many terms have been used to describe such behavior including organizational citizenship behavior [OCB]" (Van Dyne, Graham and Dienesch, 1994, p. 765).

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<sup>262</sup> Also Allen and Meyer reason that (even) the "pure" calculative form of continuance commitment can be hypothesized to "be either unrelated, or negatively related, to performance - *except in cases where job retention [is] clearly contingent on performance* (1996, pp. 266-267; italics added). While the latter may thus apply concerning the current sample, a replacement labour pool has arguably not been largely and easily available in recent years in the consulting industry in Finland and Sweden. This fact might diminish such effects.

<sup>263</sup> In the chapter on operationalizations we will present the exact nature of the measurement instrument used in this study.

As was the case with the concept of organizational commitment, and to some extent also the concept of psychological empowerment, conceptualizations of OCB are diverse (ibid., p. 765). Van Dyne et al. identify basically three forms of organizational citizenship behavior, i.e. dimensions in terms of 'organizational obedience', 'organizational loyalty' and 'organizational participation' (ibid., p. 767)<sup>264</sup>. A somewhat different conceptualization, in terms of a combination of elements from Graham's (1989) and Organ's (1988) dimensions, can be found in Moorman and Blakely (1995). This concept of OCB include dimensions of 'interpersonal helping', 'individual initiative', 'personal industry', and 'loyal boosterism' (ibid., pp. 131-132).

All these dimensions can be viewed as aspects of organizational participation, an "interest in organizational affairs...expressed through...responsible involvement in organizational governance" (Van Dyne et al., 1994, p. 767). The dimension of 'loyal boosterism', for example, can be understood as measuring an employee's attitude towards "contributing to [the organization's] good reputation" (ibid., p. 767). In such a broad sense all the dimensions together can thus be viewed as aspects of organizational participation in terms of generally "cooperating with [broadly defined] others to serve the interests of the whole [organization]" (ibid., p. 767)<sup>265</sup>.

According to Van Dyne et al. the early attempts to view OCB as extra-role behavior clearly distinguishable from intra-role behavior have at least by some researchers been abandoned as too complicated (1994, p. 766). Nevertheless, Williams and Andersson argued for isolating "variance in OCB measures that is not associated with performance of in-role behaviors" (1991, p. 614). On the basis of their empirical evidence, also Moorman et al. argued for a control in terms of in-role behaviors on the grounds that "different organizations may stress different OCB dimensions to the degree of making them in-role" (1993, p. 219)<sup>266</sup>.

We will not make a distinction between individual related and organizational related OCB (Williams and Anderson, 1991, pp. 601-602). Williams and Anderson argue that such a distinction is important because "these two forms of OCB can have different antecedents" (ibid., p. 602). This claim is also partially supported by their findings related to different dimensions of job satisfaction (ibid., p. 611). However, in our theorization we are interested in the relationship between HRM and a global form of

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<sup>264</sup> Based on their exploratory factor analyses, Van Dyne et al. classified additional dimensionalities of 'participation', i.e. in terms of 'advocacy participation', 'functional participation', and 'social participation' (ibid., p. 783).

<sup>265</sup> Because there is still some way to go in developing a well corroborated generally accepted conceptualization of OCB we ended up choosing items and dimensions which seemed meaningful and relevant for our study. Our operationalization of the construct of OCB is presented below.

<sup>266</sup> We measure and try to study HRM's influence on employee attitudes towards OCB. In our study the "in-role" behaviors are defined by superior interpretations of a set of loose criteria related to the quality, efficiency and innovativity of consultants' work performance. We will analyze whether the attitudes toward OCB and the external evaluations of aspects of actual work performance are distinguishable phenomena, which they according to most interpretations of OCB should be (compare Williams and Andersson, 1991, p. 605; 612). We will attempt to use the external evaluations of work performance as controls when analyzing antecedents and consequences of OCB.

OCB. With appropriate controls (which we will discuss below) there seem to be no reason to distinguish between HRM's influence on either form of OCB.

**Antecedents to OCB.** With reference to the general underlying dynamics of OCB Van Dyne et al. argue that

[t]he active citizenship syndrome is based on covenantal relationship...The more strongly a person identifies with the collective entity (such as a particular relationship or community) and feels valued and values the connection...the more he or she will be an active contributor to the community...Thus, covenant is conceptualized as a reciprocal relationship based on ties that bind individuals to their communities and communities to their members..." (ibid., p. 768).

This conceptualization would seem to indicate that HRM as conceptualized in this study should have a substantial influence on OCB. Van Dyne et al. also argue that

"covenantal partners can disagree about particulars without threatening the existence of the relationship and can forgive each other should disappointing performance occur" (ibid., p. 768).

There is however nothing in our conceptualization of HRM which would theoretically imply such a consequence<sup>267</sup>. Van Dyne et al. further claim that

[i]n contrast to contractual, exchange, or other instrumental relationships...covenants are existential; they focus on a state of being and involve intrinsically motivated effort rather than earning something or getting somewhere" (ibid., p. 768).

This characterization is somewhat contradictory to the hypothesized explanations Van Dyne et al. themselves offer later in their study. Also Williams and Anderson note that some findings "indicate that pay cognitions are important predictors of OCB performance", and they argue that this "is counter to the social exchange framework that has guided recent explanations of OCBs" (1991, p. 603). We consider the distinction between relationships based on instrumental exchange and covenants identified by Van Dyne et al. (above) problematical and we do not view it as important. Thus, we do not view ("reciprocal") OCB/pay relationships as contradictory to an understanding of OCB loosely based on social exchange. For us social exchange simply is a form of more or less conscious "calculative reciprocation", including both psychological and evaluative/calculative aspects<sup>268</sup>. Such a loose general social exchange theoretical explanation of OCB seem to us to be a more appropriate understanding of any mechanism between antecedents and OCB than Van Dyne et al.'s suggestion in terms of covenantal relationships.

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<sup>267</sup> Because it may well have an effect this potential underlying dynamic of OCB will rather in our study be controlled for by a variable related to organizational support.

<sup>268</sup> Thus, we consider the whole discussion of the difference between relationships based on processes of calculative reciprocation, social exchange, psychological contracts, and covenantal relationships largely irrelevant for the present study. Compare the discussion above in relation to the concept of organizational commitment.

Based on this understanding of the dynamics of OCB we argue that the HRM system should be a robust causal antecedent to OCB. This is the case in particular as OCB, at least in knowledge intensive contexts, would seem also to require competence in addition to motivation. The condition of competence seems to have been largely left out from most conceptualizations of antecedents to OCB<sup>269</sup>. Based on these arguments we hypothesize that

Hypothesis 10a: The degree of sophistication of the HRM system will be positively related to organizational citizenship behavior<sup>270</sup>

It might however be the case that strategic fit is the causally most effective antecedent to OCB. This could be the case since our construct of strategic fit focuses on the degree to which the HRM practices support the competencies, attitudes and behaviors needed to perform the work required to achieve business goals. The extent of such support should lead to reciprocating OCB. It might thus be that strategic fit has a direct effect on OCB independent of the more holistic employee perceptions of the sophistication of the HRM system.

**Consequences of OCB.** As argued earlier, there is no clear causal logic between an employee's (attitudes towards) organizational citizenship behavior and the same employee's "core" work performance<sup>271</sup>. However, to the extent that there is a justification for the argument that OCB should identify work behavior that "holds the promise for longterm organizational success" (Van Dyne et al., 1994, p. 765), there should be some relevant performance consequences of OCB<sup>272</sup>. We suggest that according to the above promise, individual employees' OCB should be related to organizational performance. It is true that the influence on organizational performance of any individual's OCB is likely to be trivial (Podsakoff et al., 1997, p. 265). However, in a large enough sample of organizations, individual's OCB should at least be consistent also with organizational performance. Further, to the extent that OCB has a non-problematical positive influence on organizational performance its should at least be consistent with more "in-role" employee work performance. However, as suggested by Podsakoff et al. helping behavior may negatively influence employee work performance because it takes time away from pursuing one's own work (ibid., p. 263). Nevertheless, we argue that

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<sup>269</sup> One partial exception is provided by Wayne, Shore and Liden (1997) who included 'developmental experiences' as an antecedent to perceived organizational support which in turn was shown to be related to OCB.

<sup>270</sup> The arguable dual underlying dynamic of OCB in terms of both competence and motivation would seem to make psychological empowerment a plausible mediator of HRM's influence on OCB. Also an exchange theoretical argument for such a mediation can be evoked in terms of the implicit idea that empowerment is what employees desire. The plausibility of a mediational role of both psychological empowerment and organizational commitment will be further discussed in connection to the review of relevant control variables in chapter 8.

<sup>271</sup> An argument related to learning in interaction might be developed.

<sup>272</sup> It has been argued that OCB should have organizational performance consequences because it should "lubricate the social machinery of the organization, reduce friction, and increase efficiency (Podsakoff et al., 1997, p. 263).

Hypothesis 11a: Organizational citizenship behavior will be positively related to employee's innovative behavior regarding products and services.

Hypothesis 11b: Organizational citizenship behavior will be positively related to the quality and efficiency of employee work performance

Hypothesis 11c: Organizational citizenship behavior will be positively related to organizational performance in terms of quality

Hypothesis 11d: Organizational citizenship behavior will be positively related to organizational performance in terms of profitability

Further, it is conceivable that increased aggregated organizational citizenship behaviors among employees should produce a culture of mutual "bonding" which should improve the organizational ability to retain employees. Thus, we hypothesize that

Hypothesis 11e: Organizational citizenship behavior will be negatively related to employee turnover

### **7.2.5 Employee and Organizational performance**

The conceptualization and measurement of organizational performance is a complicated area (Wright and Sherman, 1999, pp. 64-65). Some of the HRM studies reviewed above have identified performance related to the plant or unit level such as productivity or quality. These performance outcomes have been relatively unproblematical but do not yet tell us anything about the overall financial performance of organizations. Huselid and Becker in their various studies have been using one accounting measure related to return on capital and another in terms of stock market performance, i.e. the Tobin's q. Citing Hamel and Prahalad, Huselid and Becker have claimed that the latter measure of the difference between book value and market value can be attributed to the "core competence (or) people embodied skills" (1998b, p. 3). However, the Tobin's q can clearly be related to many other aspects of organizations and markets than specifically people embedded skills. Nevertheless, compared to any other measure, the difference between market value and book value (Tobin's q) properly identified can be considered as one candidate<sup>273</sup>.

Meyer and Gupta argue that

"there are many performance measures, more all the time...the most commonly used performance measures tend to be uncorrelated with one another; and no performance measure dominates for long...[T]hat is, performance measures given great weight by managers shift dramatically over time...performance measures have a tendency to run down – to decline

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<sup>273</sup> What Tobin's q measures is essentially the market's expectations of a company's future performance. This might be related to people embedded skills but it might also be related to a host of other things even if we control for such phenomena as organizational size and industry. In particular it tends to be related to top management characteristics and behavior as well as immaterial rights and exclusive products. These things might be a consequence of HRM but they need not. Even though Tobin's q from a theoretical point should reflect "people embedded skills" or earlier accomplishments of such skills, we have to be sensitive as to what the market is looking at when deciding on the value of a company.

over time in their ability to discriminate good from bad performance...One [reason] is positive learning resulting in actual performance improvement. Another is perverse learning resulting in the appearance but not the fact of improvement...The paradox is this: coordination and control in organizations are best achieved through multiple, uncorrelated, and changing performance indicators that render it difficult to know exactly what performance is" (1994, pp. 310-311).

Evans argues that the dependent variable cannot (appropriately) be the 'bottom line' or performance (1999 p. 328) but perhaps for the medium term (*ibid.*, p. 332). Evans cites Cameron (1986) "To be effective, an organization must possess attributes that are simultaneously contradictory, even mutually exclusive". Evans continues by claiming that

"[o]pposing forces such as short and long term, differentiation and integration, external and internal orientation, hierarchy and network, cost control and quality, change and continuity can never be reconciled once and for all...The dependent variable of focus becomes that of *tension between opposites*" (1999, pp. 328-329).

More than ultimate performance outcomes, Evans is in fact discussing attributes organizations should possess *in order to be* successful or effective. Thus he himself still faces the problem of telling us what he means by effective/successful so that researchers can begin to explore the justification for the importance of any "tensions between opposites". If there is no answer to that question, any dependent variables in terms of "opposites between tensions" will be just normative postulations to the extent that, e.g. shareholders will not begin to determine the values of organizations based on the degree (and quality?) of tensions between opposites.

Whatever the attributes an organization "must possess" in order to be effective in the long run, it seems that on average, assuming that we observe more or less equilibrium phenomena, organizations should satisfy their customers and be profitable. There is thus still some justification for ultimate more simple performance measures in some form. The research community, however, appears to manifest no consensus on what they should be.

The "business model" of organizational performance

"suggests that there are multiple measures of performance (e.g. product quality, customer satisfaction, financial performance), none of which takes precedence over the others and hence constitutes performance all of which are to be maximized. Moderate correlations among various performance measures are suggested by the business model, but these correlations are expected to be lagged rather than contemporaneous" (*ibid.*, p. 356).

We will operationalize organizational performance in terms of the **perceived quality of products and services, perceived customer satisfaction and perceived profitability**. This operationalization is in some congruence with the above notion of "the business model". Analogously to our (and Becker and Huselid's (1998, p. 5)) assumption that we on average are observing equilibrium levels of HRM, we also assume that on average we are observing equilibrium levels of relative performance.

The HRM discourse might be argued to offer partial answers to the question of what attributes an organization must possess in order to be successful. Mainstream research

in HRM is trying to find ways of properly testing how important for success these partial answers are. Surely they can represent but a very tiny piece of puzzle in the grand scheme of organizational performance.

To the extent that the HRM debate, and in particular strategic soft HRM can ever be empirically justified we would have to be able to show that employee work performance (in some form) has an effect on organizational performance.

"Certainly, the performance of an organization is more involved and complex than the sum of the separate performances of its employees. However, the collective performance of employees does, indeed, represent a critical and necessary condition" (Ferris et al., 1998, p. 249)<sup>274</sup>.

Ultimately this is what the HRM debate is largely about. In particular in knowledge and employee intensive organizations such as consultancy firms the performance of employees should clearly (if anywhere) influence organizational performance. Pfeffer has argued that

"[h]aving better-trained and more-carefully screened employees working a system that permits and, indeed, encourages them to use their skills results in higher levels of organizational performance" (1997, p. 172).

This is still largely a hypothetical inference with no explicit empirical (nor in fact any specific generally agreed upon theoretical) foundation<sup>275</sup>. We propose the following hypotheses related to the direct relations depicted in our model

Hypothesis 12a: The quality and efficiency of employee performance will be positively related to organizational profitability.

Hypothesis 12b: The quality and efficiency of employee performance will be positively related to organizational performance in terms of quality and customer satisfaction.

Hypothesis 12c: The innovative behavior of employees will be positively related to organizational profitability.

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<sup>274</sup> Obviously organizational performance is affected neither only by the performance of a limited sample of employees in any organization nor only by the performance of current employees. We make the crucial assumptions that we are observing equilibrium phenomena and that our (limited number of) respondents represent an adequate sample of employees in general in the studied organizations.

<sup>275</sup> Whatever the intellectual capital or core competence etc required for organizational performance it should be reflected in the criteria for evaluating employee performance in terms of quality, efficiency and/or innovativity. However, it is of course conceivable that employees in an organization might exhibit high levels of these properties but because the organization has not been able to focus on strategically adequate competencies and behaviors, and evaluate employee performance according to them, managerial perceptions of high employee performance does not have any organizational performance consequences. The lack of such a relationship might also be due to the fact that the interpretations of quality, efficiency and innovativity varies between organizations. These weaknesses of our conceptualization simply reflect the absence of any agreed upon relevant criteria for employee performance attributes and the difficulties in establishing/measuring them.

Hypothesis 12d: The innovative behavior of employees will be positively related to organizational performance in terms of quality and customer satisfaction.

In addition to this understanding of organizational performance, **employee turnover** has often been used in HRM studies as an organizational performance measure. It has however mostly been measured so that no distinction between voluntary and involuntary turnover has been made. This seems a crucial limitation and reduces the information the evidence conveys. We will try to capture voluntary turnover. Huselid (1995) showed some, albeit as noted in our review above, weak evidence for the fact that employee turnover mediated an HRM influence on organizational performance. We will explore this possibility although we will mainly try to analyze a potential mediated influence of HRM on (voluntary) employee turnover. One would expect that an HRM influence on (voluntary) employee turnover would be mediated at least by the focal attitudes in terms of affective organization commitment and continuance commitment as well as organizational citizenship behavior. However, the effect of psychological empowerment and employee performance on voluntary employee turnover is already much less clear. Empowered and/or excellent performers may (in particular in our population) be leaving organizations due to attractive job offers. To the extent that excellent performers also on average are more prevalent in well performing organizations this tendency might be amplified because competitors might be looking for or willingly hire employees in particular from such organizations<sup>276</sup>. Nevertheless, when controlling for available job opportunities, career prospects, organizational image and prospects, one would still expect that both high psychological empowerment and high employee performance will on average be related to relatively low levels of voluntary employee turnover. Here we put forward the following direct relationships:

Hypothesis 12e: The quality and efficiency of employee performance will be negatively related to voluntary employee turnover.

Hypothesis 12f: The innovative behavior of employees will be negatively related to voluntary employee turnover.

### 7.3 WHAT IS A THEORY

The proposed theorizing belongs to a family of multilevel theories which

“begin to bridge the micro-macro divide, integrating the micro domain’s focus on individuals and groups with the macro domain’s focus on organizations, environment and strategy...[These theories acknowledge] the influence of the organizational context on individuals’ actions and perceptions *and* the influence of individuals’ actions and perceptions on the organizational context” (Klein, Tosi and Cannella, 1999, p. 243).

The focus of the proposed theorization tested in this thesis is the same as the dominating focus within multilevel organizational literature, i.e. on “two levels of theory and analysis – individuals and organizations...(ibid., p. 247). As outlined, we will analyze the relation between individual employees’ perceptions of the

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<sup>276</sup> Thus different and even partly contradictory direct and indirect effects of HRM on voluntary employee turnover are conceivable.



organizational level processes in terms of HRM practices and the individual level attributes in terms of these employees' psychological empowerment, organizational commitment and organizational citizenship behavior as well as general work performance. We will further analyze the relationships between these individual level attributes and organizational level performance.

Developing multilevel theory usually requires research to

“draw from both organizational behavior and organization theory, and often from these fields' parent disciplines – psychology, sociology, anthropology, political science and economics – as well. Accordingly the first barrier to multilevel theory building is simply the mass of potentially relevant research and theory...” (ibid., p. 244).

This is clearly an issue HRM research confronts. The drawing on different disciplines is complicated by the fact that most theories in most of the above disciplines themselves are in a stage of development and under critical debate. One potentially relevant example is social exchange theory (Cook, 1987). It might therefore be necessary to develop multilevel theories in any one field which is sensitive to as much as possible in the debates in connecting fields of inquiry without explicitly relying too much on any such theories. The same problem confronts researchers even in more closely related fields of research.

We have only to a necessarily limited degree discussed “potentially relevant research and theory”, mainly in terms of a critique of the RBV, the conceptualization of strategy and thus strategic fit, as well as some general ethical and epistemological/ontological issues. We have also reviewed general arguments about the notion of organizational performance as well as arguments related to psychological empowerment, organizational commitment and organizational citizenship behavior. In connection to the discussion on control variables we will continue to reflect upon the role of these constructs.

Another problem with multilevel theorizing is the

“task of multilevel data collection. Rigorous tests of multilevel theories may require the researcher to gather data from multiple individuals across multiple units and organizations. The single-organization study, so common within micro-organizational behavior, may not suffice, nor may the single observation-per-organization study, so common within macro-organizational research. As our field embraces multilevel organizational theory, we may be forced to relax some of our research standards, recognizing, if temporarily, the tradeoffs sometimes necessary when researchers begin work in a new area” (ibid., p. 244).

As will become clear, we have made compromises in our study, mainly related to the number of observations per organization as well as the number of organizations. We assume that the sampled employees' work performance as well as the sampled employee attributes reflect those of the employees' in general in the organizations. This assumption is clearly a weak link but has at least some plausibility considering that the overall number of employees' in most of the studied organizations is fairly low. In addition, the studied category of employees can also a priori be considered the dominating employee related force of organizational performance in these organizations.

Sutton and Staw argue for the importance (as well as frequent lack) of providing adequate causal logics to any hypotheses. Sutton and Staw argue generally that “[a] theory must...explain why variables and constructs come about or why they are connected” (1995, p. 375). These answers to the question of why is what constitutes theory. *Pace* DiMaggio, this does not amount to a rejection of the view “that theories should consist of covering laws” (DiMaggio, 1995, p. 391). Any hypotheses always include a proposed (implicit or explicit) causal logic. There are however always potentially more detailed causal logics and limiting conditions to be pursued/postulated and which may have to be pursued in order to find generalizable (more or less transient) nomological relationships capable of replication<sup>277</sup>. Interesting suggestions for such causal logics are as important as the testing of more general exploratory causal logics. Even if causal arguments are provided they have lesser value to the extent that researchers do not then succeed at testing those explicit causal logics. What seems to be a danger in organization science is the postulating of loose causal logics which are not really tested in empirical studies either because operationalizations do not adequately reflect such causal mechanisms or because of inadequate utilization of control variables. Thus, as much as the postulation of causal logics, a real challenge for organizational science is often to produce convincing empirical evidence or counter evidence for any suggested (explicit or implicit) causal logics.

In this study we are mainly interested in providing such evidence or counter evidence for the (loose) logic of arguments which claim that the HRM practices have an effect on organizational performance. However, as Guest argues also lower level causal logics needs to be pursued in HRM research (1997, p. 268). We have tried to “spell out” the general logic of soft strategic HRM as well as some more specific causal logics for the relation between HRM and our intermediate variables.

The general ‘logic’ of the proposed theorization is deceptively simple. Employees’ perceptions of organizational level HRM (processes) will reflect the adequacy of these processes. This adequacy will influence certain employee attributes. These are hypothesized to influence employee work performance which in turn will influence organizational performance.

“Our collective preoccupation with theoretical novelty often leads organizational researchers to overlook crucial if banal patterns in their data (sometimes even omitting “dull” variables at the cost of misspecifying statistical models” (DiMaggio, 1995, p. 393)<sup>278</sup>.

The preoccupation with novelty is (only) partly dictated by the dynamics in the research objects. This preoccupation seems at least as big a problem in organization science as, and apparently closely related to, the lack of detailed causal reasoning. The most serious underlying problem might however lie in the complexity of the research object and the difficulty of (experimentally) reducing this complexity in relevant and

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<sup>277</sup> As already argued in section 2.3, *pace* Tsang and Kwan (1999, p. 762), there is no need to evoke any form of (problematical, question begging, etc) realism in order to make this point.

<sup>278</sup> Also Tsang and Kwan (1999, pp. 760-761) note the problem of an overvaluation of “originality and creativity” in social science.

adequate ways. This is why convincing knowledge production in this field is extremely difficult<sup>279</sup>..

In any event, Weick seems obviously right in arguing that “[p]roducts of the theorizing process seldom emerge as fullblown theories” (1995, p. 385). It is evident that research of HRM's influence on organizational performance is at a stage of “theorization” rather than “fullblown theory”. The ‘looking for’ an HRM theory of performance is bound to involve a great deal of (hopefully informed) trial and error search for proper variables<sup>280</sup>.

#### 7.4 THE MODEL AND SOME OBJECTIONS

One focused critical discussion of *HRM as a theory* can be found in Noon, 1992. Through our conceptualization we are arguably able to (at least begin to) meet Noon's critique in terms of the problem of parsimoniousness in HRM theorizing.

“[T]he variables associated with just one of the HRM policies are likely to be numerous, and the possible relationship to the outcomes plentiful, so, if all the variables of the ‘theory’ were taken into account, its complexity would be awe-inspiring”(ibid., p. 21).

In the model, we have tried to eliminate some factors, combine some and postulate some traditional HRM phenomena as outcomes rather than primary causes without “threatening its comprehensiveness” (ibid., p. 21). The general line of problems Noon refers to are however extremely difficult and will require more emphasis in the HRM literature. Also Wright and Gardner point to the problem of complexity and choice of elements to be included in an HRM theorization of organizational performance (2000, pp. 4-7). The complexity is not only due to the multifaceted nature of HRM and its possible outcomes, it is also due to the multitude of potential “external” causes of most conceivable outcomes of HRM<sup>281</sup>.

We do not see the “evident logical contradiction between individualism and cooperation“ which Noon (1992, p. 23) claims exist. There may well be tensions but no necessary (logical) contradictions. Our conceptualization should be sensitive to potential tensions between different elements in the HRM system as well as between its outcomes.

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<sup>279</sup> The complexity has been extensively dealt with under different descriptions in philosophy of social science. In chapter 2 we tried to convey our understanding of this complexity and its consequences for social and organizational science.

<sup>280</sup> It is also important to bear in mind that any theory which conceptualizes antecedents of organizational performance only says that, *ceteris paribus*, companies which adopt or achieve Y and Z will also tend to achieve X. The *ceteris paribus* condition among other things will include the condition that not significantly more competing companies are successfully adopting Y and Z (Numagami, 1998). Such a law can be corroborated only as long as there is relevant empirical diversity (March and Sutton, 1997, p. 699). It can be called a law as long as we remember that X, Y and Z are relative phenomena. X of organization A will be relatively higher compared to X of organization B to the degree that A more successfully implements Y and Z.

<sup>281</sup> The chapter on controls (below) will elaborate on this point.

We also argue that the potential contradiction between commitment (quality) and flexibility is no necessary one. Noon argues only that “there may be occasions when these are incompatible” (1992, p. 23). He suggests that

“quality performance may depend on building up expertise over a period of time, yet the firm’s requirement for functional flexibility (for congruence and cost reasons) may reduce competence levels” (ibid., p. 23).

Our conceptualization should also be sensitive to the consequences of such contradictions. Noon further claims that

“the notion of commitment may be totally undermined by factors outside the control of the committed workers” (ibid., pp. 23-24).

This is true but the “totally” is still a theoretical/empirical question. We also claim that there is no ‘logical’ inconsistency in our model related to a strong culture on the one hand, and flexibility or adaptability on the other (ibid., p. 24). A strong culture may for example be a culture emphasizing dynamism and change or diversity. Neither is there in our theorizing a ‘logical’ inconsistency related to the idea of strategic fit (ibid., p. 24), nor anything which dictates approaching “the design of HRM systems in an overly rational way” (Hendry and Pettigrew, 1990, p. 35, cited in Noon, 1992, p. 24).

The unitarist assumption criticized by Noon (ibid., p. 24) is an empirical question where it may turn out that in many contexts something even close to the ideal of HRM is difficult to achieve. But this is also a theoretical/empirical question. Noon discusses the potential instrumentality of HRM mainly arguing that it increases the employers’ manipulative possibilities without a true adherence to the ideal of soft HRM (ibid., pp. 25-26). We argue that our model is sensitive to such issues.

Noon continues by discussing theoretical utility. We do not think that HRM theorizing is absurd or necessarily irrelevant (ibid., p. 22). Only partly do we agree with the claim that “HRM is often stating the obvious” (ibid., p. 22).

“[T]hat is interesting...is the...response that the theorist is looking for because it suggests that the conjecture is challenging the already held assumptions in a plausible manner” (ibid., p. 22).

In the case of HRM such a response might be prompted for several reasons. First, many people believe that investing in people is the way to go. But very little in management thinking is based on scientifically well justified beliefs. To the extent that HRM research can offer plausible evidence or counter-evidence for some antecedents and outcomes, it is interesting from this perspective. Second, that HRM does have an influence on some outcomes is ‘almost obvious’. But being able to say through what more specific mechanisms it might have effects on organizational performance seems to be an interesting question. As responses to competitive demands may also have negative consequences (e.g. work stress, decreased employment security, etc) this makes it even more interesting to develop and test proper HRM theories of organizational performance. Third, it seems of considerable interest to test the potential explanatory power of an HRM theory of organizational performance in different contexts. Fourth, something for which theory development seems to be such a challenge cannot be completely “obvious”.

Noon seems to be more eager to point to all the possible difficulties confronting HRM theorizing than discussing possibilities. He points to two more problems in such theorizing.

The generalizability of any HRM theory (ibid., pp. 26-27) is a question which we dealt with earlier and it is a highly relevant one. Pfeffer (1994) takes a more positive stance on this than e.g. Guest (1989), MacDuffie (1995) or Legge (1995). Only empirical evidence and experimentation on behalf of organizations can really answer such questions.

Noon also discusses (philosophical) assumptions of human nature and contrasts two understandings of this nature.

“Modern man can be influenced by manipulating the ‘laws’ (physical, psychological and social) which determine the process of being. Hermeneutical man, however, is self-bound rather than law-bound and consequently he or she *creates* organizational reality and structures rather than *responds* to them. The implications for management of people are profound” (ibid., p. 27).

Noon implies that constructing a theory which explains employee behavior is contradictory to the notion of hermeneutical man. As discussed in chapter 2, we do not claim that any (known) laws *fully* determine human behavior and neither do we claim that human beings never respond (in predictable ways) but always create (new responses). In addition, the fact that employees partly create organizational reality and that this creation is important is something we try to consider through our conceptualization/operationalizations. Thus the ‘dichotomous opposition’ outlined by Noon above seems unnecessary. That “HRM uses the language of individual self-fulfilment and self-creation but sets boundaries to both” (ibid., p. 28) seems to be a problem only to the extent that somebody would imagine that self-fulfilment and self-creation can be ‘boundary-less’ within organizations.

In summary, Noon argues that

“HRM ‘theory’...fails on two accounts: first, in terms of ‘adequacy’ because of the logical inconsistencies; and second, in terms of ‘reality’ because it does not model the empirical world” (ibid., p. 28).

We argue that we have avoided the first problem and that the second is still an open theoretical/empirical question. Noon ends by claiming that “the danger of reconceptualizing HRM as a theory is that it raises its status and denies its history” (ibid., pp. 29-30). We see no *a priori* and *necessary* problem with either consequences.

## 7.5 PARTICULAR METHODOLOGICAL ISSUES

Wright and Sherman point out the problem of “**wrong level or mixed level of analysis**” in many studies (Wright and Sherman, 1999, p. 65). In our study the organizational performance variables are related to either a relatively small domestic (consultancy) firm, a relatively small foreign (consultancy) subsidiary or a relatively small (consulting) unit of a larger organization. We have measured the HRM practices, the intermediate phenomena as well as most control variables only with reference to a very small sub-sample of employees within each of these organizational

units. Clearly there may be other offices (or even subgroups within any one office) where some of these phenomena might differ. Thus the postulation of relationships between the organizational performance measures and the other elements of our model is far from being completely straightforward. The problem referred to by Wright and Sherman is thus clearly not avoided. However, in terms of the fairly small size of most of the organizations and the homogeneous kind of employees and operations in different branches of these organizations, there is at least some justification for the assumption that our variables refer to consistent levels of analysis.

Although basically formal measures of HRM practices have been used in earlier studies they have nevertheless in many cases also necessitated different degrees of perceptual judgement. Most of the earlier studies have been based on HRM data from **single (HR) manager contacts**.

Huselid and Becker claim that they

“believe the chief human resource officer (CHRO) within each firm is in the best position to describe the combination of both policy and practice”(1996, p. 416, footnote 8).

Somewhat depending on the measures used, we think that HRM managers in fact are likely to bias the results quite a lot. Some indication of problematical differences in perceptions between functional managers and HRM managers are evident in Guest and Peccei (1994). Also the empirical evidence offered by Truss et al. (1997) can be interpreted to support two things: (1) it is conceptually dubious to draw any conclusions concerning performance effects based only on managerial information or company policy statements on HRM practices, and (2) we need more research of their implementation, their reception and interpretation. At least it seems clear that in the absence of many studies using multiple respondents we need studies with different kinds of respondents. As already noted, we have tried to motivate and will use interpretations by general employees, the objects of the HRM practices, as data concerning the implementation of these practices.

We are however far from having provided a satisfactory solution to the reliability problem (Wright and Sherman, 1999, p. 64). Our employee and firm performance variables are measured through single respondents only. In addition, as already mentioned we are making inferences about the sophistication of organizational HRM practices based upon individual perceptions of 2-3 general employees per organization<sup>282</sup>. To the extent that the intra-organizational perceptions of the HRM practices and their intermediate consequences do not exhibit any consistent relationships we should not find evidence for any systematic organizational performance effects. Thus, with reference to organizational performance effects of

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<sup>282</sup> As already argued the respondents are part of an overwhelmingly dominating but still fairly (in most cases) small and homogeneous group of employees.

HRM we arguably introduce a kind of quasi-reliability "hurdle". With reference to the intermediate variables the reliability problems are smaller<sup>283</sup>.

In addition to questions of reliability, there is a general problem in terms of a lack of agreement on the validity and adequacy of **operationalizations and constructs** related to most phenomena in organization studies, including those included in our model. On this point, see also Wright and Sherman (1999, p. 64). With reference to the HRM practices in particular it can be argued that

"[t]oo much emphasis on objective measurement runs the risk of omitting some practices that lie at the heart of HRM. Too much scope for personal judgement risks reducing the reliability of responses" (Guest, 2001, p. 1098).

We have also argued that too much emphasis on the objectivity of measures may not only omit some important HRM practices but also potentially the aspects of (all) practices which may be causally efficacious (see section 3.4 above). We will try to further discuss these issues in connection to the presentation of the operationalizations below.

**Simultaneity bias** (reverse causality) at the non-perceptual level is a major concern. Becker and Huselid remark that

"The potential for simultaneity bias is a common reservation in this literature, the concern being that more profitable firms can afford more of these policies and any positive HRM-firm performance relationship is therefore positively biased." (1998b, p. 5).

But following this they claim that the alternative bias is equally plausible, that

"less profitable firms have a greater need for high performance HRM strategies and are therefore more likely to pursue them" (ibid., p.5).

However we would argue that as any more robust positive organizational performance effects of HRM are not well established by research, perhaps even less part of common conviction in companies, the positive bias is likely to be stronger. This could very well be a consequence of slack resources, image etc. Further, it seems often repeated that in bad times one of the first cost cutting efforts are directed at the personnel department and personnel practices<sup>284</sup>.

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<sup>283</sup> The debate concerning respondents and measurement errors has, since the writing of this, been intensified as more evidence of potential problems has emerged (see Gerhart et al., 2000a; 2000b and Becker and Huselid, 2000).

<sup>284</sup> The foremost perhaps being training and development (as noted by Evans, 1999, pp. 333-334) and employment security. The only empirical study of this issue we have found did not produce evidence for the fact that performance differences in either way predicts the adoption of HRM practices (Frits and MacDuffie, 1996). Although the study gave some indication that worse performing organizations tended to be more likely to adopt HRM practices this result was not statistically significant (ibid., pp. 441-442). On the basis of their evidence, prior existence of the practices as well as complementary HRM practices is what is decisive with reference to increased adoption of HRM practices (ibid., pp. 440-441). Thus, as the question of the causes of the prior existence of such practices is left open, the

Becker and Huselid continue by offering three arguments for the fact that there is

“little theoretical or empirical reason to believe that contemporaneous measures of firm performance pose a fundamental problem” (ibid., p.5)  
<sup>285</sup>

Of the three arguments the third more or less assumes what research is still trying to establish<sup>286</sup>, the second seems misdirected as the establishment of HRM practices costs money and other resources which arguably are scarce during times of bad performance<sup>287</sup>. Their first argument seems more relevant but needs to be considered in detail. The argument is that prior research has found no evidence of meaningful simultaneity bias in these relationships. They refer to the test of lagged effects in Huselid and Becker (1996) whose unsatisfactory nature was suggested in our review of empirical studies above. In addition they refer to Huselid (1995) who tested for a simultaneity bias. However, Huselid commented that there is controversy related to the adequacy of one of the methods he used. He reports that he also used another method in terms of “two-stage least squares models for each dependent variable as a formal correction for simultaneity” (1995, p. 666). The description of this method is so scarce that we are unable to form a judgement as to its adequacy and there are no references to evaluations of the adequacy of this method for testing simultaneity bias. In addition, Huselid did not present any of these tests in his article<sup>288</sup>.

Simultaneity bias is not something that can be argued away (once and for all). A convincing refutation of it can only be established by proper designs of research (each time). The more positive relationships research is able to establish through cross-sectional research, the more encouraged researchers should perhaps be to engage in

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study cannot be considered to have offered a refutation of the hypothesis postulating a simultaneity bias nor to have indicated a bias in the opposite direction.

<sup>285</sup> Becker and Huselid offer a fourth argument, i.e. they assume that they are observing equilibrium effects (ibid., p. 5). However, this argument refers to prior evidence of lagged effects (=Huselid and Becker, 1996). As noted in our review of prior empirical research (chapter 6), this evidence is weak.

<sup>286</sup> The third argument is that “the elements of the HRM system...are expected to increase productivity and profitability, and therefore will presumably pay for themselves” (ibid., p. 5). This conviction would have to be shared by the low performing organizations.

<sup>287</sup> The second argument is that “many of the elements of a high performance HRM strategy are not inherently more expensive than “low performance” practices” (ibid., p. 5). This is only true for a few of the practices and design and implementation will still cost money and other resources.

<sup>288</sup> Becker and Huselid also refer to Ichniowski, C. (1990). This is a working paper which we have not been able to consult. However, Ichniowski et al. tried to exclude a possible simultaneity bias with a fixed-effects model (1997, pp. 7-8), but in the last instance ended up justifying their model with proper controls (ibid., p 8). More than addressing the specific question of reverse causality (simultaneity bias in our interpretation) their tests address the general problem of heterogeneity bias. This bias is nothing else than the problem of adequate mechanisms and relevant controls, whereas simultaneity bias is more a question of adequate mechanisms and/or longitudinal studies with lagged data and adequate controls.



longitudinal studies utilizing lagged data in order to put the arguments to the most solid tests we can pragmatically imagine<sup>289</sup>.

As already noted, a somewhat different but closely related concern has been explored in terms of a potential **heterogeneity bias** related to unobserved latent and correlating causes of firm performance (Huselid and Becker, 1996, pp. 403-404). As is the case with reverse causality (simultaneity bias), heterogeneity biases cannot be tested for once and for all and generalized<sup>290</sup>. There is arguably no better way of excluding such biases than developing specific intermediate mechanisms and appropriate controls in terms of other influencing variables. This is also more or less the conclusion reached by Huselid and Becker (1996, p. 420).

Both a simultaneity bias and a heterogeneity bias is somewhat less likely in our study due to our integrated model. The integrated model specifies the “route” such a biasing latent effect on performance would have to take. However, intermediate variables alone cannot solve either the problem of simultaneity or the heterogeneity bias. The mechanisms would have to be very specific in order to do this. In our case, the proposed multilevel model makes it somewhat less likely, although still quite possible, that a latent cause might affect all our independent and dependent variables<sup>291</sup>. With the inclusion of a fairly extensive set of controls, in addition to the specified intermediate variables, we try to further diminish the risk of a heterogeneity bias.

In many studies the amount of **control variables** have in fact been very limited. The problem has been acknowledged by e.g. Gerhardt and Becker (1996, 795). The controls that mostly have been used are organization age and size, industry, union status, (in some cases) business strategy, (in some cases) geographical area of the organizations or units studied, sometimes R&D and prior sales growth.

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<sup>289</sup> However, the usual reference to the need to do longitudinal studies might not offer the salvation hoped for. It might be very difficult to detect small changes in organizational performance due to incremental improvements in a system level HRM measure. The noise of other things influencing changes in organizational performance and intermediate variables might in fact be too complex to overcome when we are looking for (small) changes in performance due to (small) changes in HRM. Yet such small changes is arguably the only thing we are going to get in large longitudinal samples analyzing within firm variation. Longitudinal studies will arguably not be able to solve the methodological problems related to cross-sectional studies unless we are analyzing such relationships between *changes* in variables.

<sup>290</sup> The fear of heterogeneity bias exemplifies the problematic lack of theory including *ceteris paribus* conditions.

<sup>291</sup> March and Sutton illustrate a phenomenon which might affect both our data on employee performance (in terms of managerial evaluations) and employee perceptions of HRM practices as well as the intermediate attitudinal outcomes in terms of psychological empowerment, organizational commitment and organizational citizenship behavior. “[S]tudents who were led to believe (falsely) that their groups had performed well in a financial puzzle game reported higher group cohesiveness, greater personal influence over the task solution, higher quality communication, more confrontation of ideas with teammates, and more openness of teammates than were students who were led to believe their group did poorly. Relative to students who were given negative feedback, they believed that they and their teammates had higher motivation and ability, that the task was more enjoyable, and that the instructions were clearer” (March and Sutton, 1997, p. 701).

When we talk about HRM it is important to remember that some kind of "HRM" is always naturally taking place. What most empirical research try to test is the importance of certain specified kinds of HRM approaches. It is, however, never only outcomes of variations in the explicitly conceptualized types of HRM approaches that is being straightforwardly captured. In particular when utilizing formally specified HRM measures, the research question should thus always be: how much of any variation in outcomes can be explained by the hypothesized kinds of HRM practices when controlling for other kinds of HRM practices or HRM related phenomena. This problem is well illustrated by Guest when he argues, concerning certain databases, that constructs with a fewer number of measures of the HRM practices appear to correlate very highly with a variable constructed from a larger number of such measures (2001, p. 1097). Guest argues that

"this is fairly encouraging in suggesting that a smaller set of items might do the job just as well as a more comprehensive set of practices and is also more transparent" (ibid., p. 1097).

The question then appears to become what aspects do we measure and what aspects may in fact be causally efficacious? Is it the measured properties (and/or the latent variables that they reflect) or is it the unmeasured ones or both? In a nutshell the question is, what is it that we are talking about when we, based upon a limited number of measures of HRM related phenomena, say that HRM affects organizational performance? It does not appear at all clear that limiting the number of items used to measure (e.g.) HRM makes research (results) more transparent.

In any case, potentially relevant unmeasured HRM related phenomena might include other organizational routines or phenomena that are related to organizational culture which cannot be straightforwardly assumed elements or consequences of the measured HRM practices. Leaving out such controls would not be a problem if we would know which HRM practices, and what aspects of such practices, are relevant for performance and that other factors do not correlate with these practices. But as this is part of the research problem, such other organizational aspects should ideally either be properly controlled for or included in the models as intermediate variables. The problem seems to be parallel to the way analyses of the influence of individual HRM practices tend to inflate their influence (Becker and Huselid, 1998, p. 62; Ichniowski et al., 1997, p. 12). As Huselid and Becker (1996) have noted, the extent to which organizations tend to be consistently managed better or worse in many aspects is likely to inflate the resulting explanatory power of any specific more limited HRM practices<sup>292</sup>.

Studies may also underestimate the general explanatory value of HRM approaches by limiting or wrongly specifying the "appropriate" approaches through formal definitions of HRM practices. As already noted, we will try to ameliorate these

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<sup>292</sup> A problematical question of using an HRM system construct versus variables related to individual HRM practices was noted in the footnote in connection to the review of Delery and Doty (1996) in section 6.2.1. Thus, here we have another problematical case of transparency. As discussed in section 8.3.2.3, this latter problem of transparency may be soluble by using an aggregate model construct with cause indicators. This will however, not be attempted in this study. In addition, as discussed in that section this procedure has its own problems.

problems by not specifying and limiting the underlying forms the generic HRM practices take in organizations and by including a relatively extensive set of control variables. In general, a single industry sample is likely to reduce the problem of unmeasured variables related e.g. to general features of organizational culture and industries to the extent that “[f]irms within the same industry often share macrocultures” (Wright and Sherman, 1999, p. 66). However, as will be noted in the discussion of controls in chapter 8, this study still lacks many potentially important controls<sup>293</sup>.

With reference to the issue of **lagged effects** we assume, as did Becker and Huselid (1998b), that we on average are observing equilibrium levels of our variables. The risk of underestimating HRM’s influence due to lagged effects can be further diminished by controlling for recent changes in HRM system variables. For this purpose we include a still somewhat unsatisfactory variable related to radical changes in the HRM system during the past year<sup>294</sup>.

Most of the prior empirical studies have drawn conclusions about strong direct HRM or direct strategy-HRM interactional links with performance and thus the importance of HRM based largely on the **statistical significance** of such links (Becker and Gerhardt, 1996, p. 790). The fact is that in most studies the explanatory power of HRM constructs have been fairly low in terms of explained variance ( $R^2$ ) in the dependent variables<sup>295</sup>. The explained variances have been low in spite of very moderate amounts of control variables used. This would at least indicate a less decisive (and at least not unique) role in producing superior performance for HRM as practiced in the studied organizations. However, low explained variances may also be the result of misspecifications in terms of measured variables.

Considering explanatory power in relation to the measures used reveals that in most cases its practical interpretation is close to impossible as most studies use interval scaled data *either* in the independent *or* dependent *or* both variables (Becker and Gerhardt, 1996, p. 790). However, even to the extent that we use interval scaled data, with proper controls we could at least receive an indication of the relative explanatory

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<sup>293</sup> In fact, to the extent that organizations tend to be consistently better or worse managed, and researcher include only a small amount of very general control variables, it enables researchers from many fields of specialization in organization science to show correlational evidence in simplistic models for the “effect” of variables in their sub-disciplines. The result could be a happy family of organization researchers where too many hypotheses related to various performance outcomes are confirmed. Evidently the question of control variables represent a general and serious problem in organization research. Proper attention to it should also stimulate theoretical development.

<sup>294</sup> In fact, this variable also has the function of controlling for potential upward biases in many of the employee perceptions due to recent positive experiences.

<sup>295</sup> Becker and Huselid defend the claim that “it is the regression coefficients which give us the laws of science” (1998, p. 69). However, the argument that “[a]ttention to explained variance, or incremental  $R^2$ , as a measure of importance miss the point...” (ibid., p.69) seems outright wrong. Surely both incremental explained variances and effect sizes are of interest. No matter how large the effect size is, it is of lesser relevance the smaller the incremental explained variance is. This does not mean that very small  $R^2$ ’s cannot be of interest. This depends on the subject of study and other available sources of the desired outcomes.

power and importance of HRM in terms of both effect size and incremental variance explained<sup>296</sup>.

In most of the quantitative studies the **response rate** have been between 10-30%.

“The important methodological challenge to the use of survey data in this context is whether or not the resulting estimates from these samples are hopelessly compromised by response bias” (Becker and Huselid, 1998, p. 67).

Huselid (1995) attempted to test for the existence of a response bias. However, as Becker and Huselid acknowledge there is really no way to determine independently whether there is a response bias on relevant *unmeasured* dimensions (1998, p. 67), including any items of specific interest identified only in the survey questionnaire. In our study this problem is ameliorated due to a response rate of 52%/45 % (see section 8.1).

A problem which has barely been dealt with in HRM research is **common method bias**. It has been shown to be a potentially very serious (and complex) biasing factor affecting much of organizational research (Williams and Brown, 1994)<sup>297</sup>. To somewhat ameliorate the problem of common method errors, we randomized the order of all the questions in the questionnaire sent to employees<sup>298</sup>. We have also collected data from two different sources, i.e. consultants and their superiors.

The analyses in our study are essentially exposed to common method errors concerning the HRM system variable, our intermediate focal theoretical constructs and most of our control variables. Any common method errors between our focal theoretical constructs and the controls could diminish rather than increase significant relations between our focal theoretical variables. On the other hand, our analyses are also exposed to common method bias vis á vis the variables related to employee work performance, strategic fit, HR professionalism, persistency of HRM investments, and organizational performance. Here however the format of the questions should somewhat ameliorate the biases. Due to different respondents there is no common method bias with reference to the HRM system and the antecedents of HRM including strategic fit. Nor do we face such problems with reference to the relations between either the HRM system or the theoretical intermediate attitudinal variables on the one hand, and either employee work performance or organizational performance on the other hand.

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<sup>296</sup> As Becker and Huselid note, “R<sup>2</sup>s and incremental R<sup>2</sup>s are largely a function of the “other” influences on the dependent variable that constitute the residual variance in the model” (1998, p. 68). In particular both significance and the incremental R<sup>2</sup> are a function of proper controls.

<sup>297</sup> Common method bias has to do with “respondents’ consistency motifs and transient mood states, illusory correlations, item similarity, and social desirability” (ibid., p. 185) and/or “negative affectivity, cognitive ability etc.” (ibid., p. 187).

<sup>298</sup> Williams and Brown note that correlations among questionnaire items are influenced by the number and content of intervening items, ordering of items, temporal spacing of measures, and format of questions” (1994, p. 206). While the format of our questions could be argued to increase common method errors, the randomizing of the items should at least reduce them.

Although our ratio of respondents/organization is minimal for that purpose, we will try to perform some indicatory analyses following the procedure described in Caldwell, Chatman and O'Reilly (1990, p. 249; 253). This procedure involves the constructing of organizational level variables "calculated for each individual based on the aggregate of the other [individual perceptions] in the firm, but eliminating the focal individual's own score" (ibid., p. 253). In principle, such a procedure would allow us to achieve HRM system variables as well as some control variables which are uncontaminated by common method error with reference to our intermediate individual level attributes.

However, this method also has its downsides. The problem with following Caldwell et al.'s procedure is that we may underestimate the relations, as the authors note (1990, pp. 255-256). Thus, when following their procedure it is not *only* common method error which is removed. We also remove theoretically relevant variance<sup>299</sup>. Nevertheless, what is most often of interest in HRM research is whether some general organizational level HRM approach has positive consequences. Thus, with enough respondents per organization, perceptual "organizational level" measures of the HRM practices (corrected for common method bias) would seem to constitute an appropriate HRM system variable. However, due to the limited number of observations per organization in this study, we will only use this method as an exploratory check on any significant relationships<sup>300</sup>.

Common method bias has to be distinguished from another form of potential bias involved which might be called **attributional simultaneity bias**. The responses by the superiors may be biased also by an unwarranted association from firm performance to employee work performance, strategic fit and HR professionalism. Correspondingly the responses by the non-managerial employees may be biased by such an unwarranted association from firm performance and/or work performance to the perceptions of the HRM practices. Such a bias might also be present in the attitudinal responses. This problem of reverse causality at the level of perceptions/cognitions cannot be corrected e.g. by different respondents for firm performance and employee work performance<sup>301</sup>. As many of the phenomena organizational research deals with are perceptual, it would seem to be close to

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<sup>299</sup> It is likely that there are individual differences in perceptions of one and the same HRM practice. Accounting for the potential relevance of individual differences may thus be theoretically important for identifying the potential of HRM's influence. In addition, we also note, but do not in this study comply with, the argument that the closer analyses of individual differences can also be considered an ethically important issue (Townley, 1994, pp. 156-157).

<sup>300</sup> Caldwell et al. also performed analyses where they did not correct for common method error. They argue that their analyses "demonstrate the importance of removing common-method bias" (ibid., p. 256). In Caldwell et al.'s study, while the explained variance increased a lot in their equations related to value commitment (but not instrumental commitment) when common method errors were allowed, the pattern of significant relationships remained "virtually identical" (ibid., p. 256) with the two procedures. Williams and Brown's (1994) simulations, however, indicate more serious potential consequences of common method errors.

<sup>301</sup> March and Sutton refer to what they call "retrospective bias" (1997, p. 701) but perceptual/cognitive biases are not limited to retrospections (cf footnote 291 above).

impossible to remove such associative biases from any potentially more justified causal relations<sup>302</sup>.

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<sup>302</sup> When analyzing HRM's relationship with the intermediate outcomes we will however try to control for both a straightforward simultaneity bias (by including organizational performance as a control) and perceptual or attributional forms of reverse causality by including both organizational performance variables and perceptions of (e.g.) organizational image and prospects of its performance. By including concurrent organizational performance variables as controls we will be able to reduce the risk of undetected effects of reverse causation although we at the same time may underestimate the relationships. We will also include some other variables which should control for perceptual biases with reference to the focal theoretical variables.

## 8 METHODS

In order to test the model and hypotheses presented in chapter 7 we conducted a quantitative empirical study. We attempted to give general justification for this choice of methodology in chapter 2, in particular in sections 2.4, 2.7 and 2.8. Particular methodological challenges involved with this choice of methodology were discussed in section 7.5. In sections 8.4, 8.4.1 and 8.4.2 we discuss aspects of validation and in section 8.5 we offer a general description of the structural analyses. The methodological importance of control variables and the validity of constructs is further discussed in section 9.3.4.

### 8.1 SAMPLE AND DATA COLLECTION

The empirical study is based upon data collected from the management and IT consultancy industries in Sweden and Finland, with the bulk of the data coming from organizations based in Sweden in the area in or near Stockholm. The data was collected during the winter/spring 1998. The sample was chosen based on several reasons. Firstly, we wanted to identify an industry which had an as dominating homogeneous workforce as possible in order to minimize problems concerning any inferences from employee perceptions of HRM practices (and other employee attributes) to organizational performance. Secondly, we also wanted to identify an industry which would satisfy the criteria put forward as critical conditions of strategic HRM. Such conditions were listed in section 1.5. Thirdly, we also wanted to include more or less only one industry in order to control for between industry differences. Fourthly, we wanted to include as many similar organizations from more or less the same geographical area in order to identify a sample where organizations would have more or less the same pool of available labour. Only 8 of 46 participating Swedish organizations did not have their office in the larger Stockholm area. Only 1 of 16 participating Finnish based organizations did not have its office in the larger Helsinki area.

One initial selection criteria for organizations was a minimum of 20 consultants in the organization based on information from 'www.konsultguiden.se' with reference to Sweden based organizations and the periodical 'Talouselämä' (3/97) as well as 'www.tipal.fi' with reference to Finland based organizations. We later came to include also 10 organizations with slightly less than 20 employed consultants and one with as few as 13. We began by contacting the chief executive officer by phone in order to present our research plan and discuss the possibilities and willingness of the organizations' participation.

The discussion with the chief executive officer usually led to a managerial level contact in the organization. This manager (or employee in a superior position) was subsequently contacted by phone. When agreement on participation was reached, we mailed this person a questionnaire concerning some aspects of the HRM processes in the organization, the individual work performance of three consultants of her/his choice in relation to which she/he was a superior, as well as some other questions including the performance of the organization<sup>303</sup>.

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<sup>303</sup> This questionnaire is exhibited in appendix 1.

This contact person was also asked to pick out and provide the three subordinate consultants whose performance she/he evaluated with separate questionnaires. The consultants, who had to have a minimum of 2 years of work experience within the organization, were asked by the contacted superior to fill in separate questionnaires and send them directly back to us in included return envelopes. Anonymity was guaranteed both concerning the organizations and the employees<sup>304</sup>.

We contacted 130 organizations by phone. 8 organizations were not willing to participate. Based upon the initial telephone discussion, 10 organizations were considered ill suited for the study either because of a recent or soon upcoming merger or because of a lower number of employees than was indicated by our public information. Thus, 112 organizations accepted participation on the bases of the initial phonecall and were provided with the questionnaires. We then contacted some of these organizations up to three times either by email or phone in an attempt to receive all the four questionnaires in return. Nevertheless, 50 organizations did either not answer our questionnaires at all or only the superiors returned their questionnaire. We obtained responses of three subordinate consultants from 43 organizations, two subordinate consultants from 15 organizations. We also used the data with reference to 4 organizations from which we only obtained responses from one subordinate consultant. Thus the data includes responses from 164 subordinate consultants working in 62 different organizations. Judged on the basis of the number of contacted organizations, which were deemed suitable for participation, the response rate is  $62/120 = 52\%$ . Measured by the number of responding subordinate consultants (out of the  $3 \times 120$ ) the response rate was  $164/360 = 45\%$ .

The questionnaire was in English in order to facilitate the same questionnaire being sent to both Swedish and Finnish organizations. The questionnaire was first pretested on a number of colleagues. Subsequently we conducted a pilot study in two consultancy organizations where the researcher was present during the filling in of all the questionnaires (by three consultants and one superior per organization). The respondents were asked to indicate where the questions seemed ambiguous or did not make sense. Some corrections were subsequently made to the questionnaires.

All items except the age, prior work experience, tenure as well as the size of the organization were Likert scale questions on a scale of 1–7 where 1 was named “Strongly disagree” and 7 was named “Strongly agree”<sup>305</sup>.

The variables measuring strategic fit, longterm investment in HRM, HRM professionalism, organization size, strategy and organizational performance are in fact based upon only 62 observations. We have simply included the same observation of these organizational level phenomena for all individuals coming from the same

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<sup>304</sup> We later accepted also 14 consultants with only 1,5 years of tenure within the current organization as well as 1 consultant with less than 1 year of tenure. The questionnaire sent to the consultants is exhibited in appendix 2. In order to reduce common method errors the order of all items in the questionnaire sent to the general consultants were randomized. It can be noted that both of the questionnaires include additional data which was not used in this thesis.

<sup>305</sup> However, also the above mentioned variables were turned into Likert scale variables by grouping them into 5 or seven "classes" with an approximately normal distribution.



organization. It seems to us that this offers some additional control of the possibility that some personal level component which is related to the specific individual (employee) respondents produces a bias in correlations between our observations based upon employee responses and the above organizational level properties. It thus arguably provides an additional quasi-reliability hurdle in terms of the extent to which the employee-related measures reflect (common) organizational level properties. To the extent that the reliability is low we would not achieve good explanatory power using the individual level variables.

*The age* of the subordinate consultants responding to the employee questionnaire varies between 25 and 62 with a median of 37 years *Their tenure* varies between 0 and 24 years with a median of 3,5 years. (There is one subordinate consultant with less than a year's tenure and 14 such respondents with less than 2 year's tenure with their current organization). *The number of these consultant's earlier employers* varied between 0 and 18 with a median of 2. *The gender* of the responding subordinate consultants is overwhelmingly male ( = 80% male) and *the nationality of the organizations* is 80% Swedish. *The size of the organizations* in terms of the number of consultants employed varied between 837 and 13 with a median of 50 consultants.

The general descriptive statistics is presented in table 25b, section 8.5. Appendix 3 presents an overview of all the constructs/variables used in this study. In addition to the items presented in appendix 3 the questionnaires also contain information not used in the current thesis. an interesting statistic would be a one-way anova analysis of the differences between within and between group (organizations) variances. However, with only three observations per organization this statistic would be quite unreliable and is therefore not exhibited.

## 8.2 CONTROL VARIABLES

### 8.2.1 Controls related to psychological empowerment.

Spreitzer has argued that *span of control and sociopolitical support* (1996, pp. 487-488) should influence psychological empowerment. Sociopolitical support, in addition to involving and being a result of HRM practices, would arguably include more general influences of e.g. leadership (Conger and Canungo, 1988, p. 478) and justice related phenomena. We will include control variables related to *organizational, superior and co-worker support* as well as *distributive, procedural and interactional justice*. In trying to sort out the "direct" effects of the HRM system, we will try to include these variables as controls even if it may be argued they should be influenced by HRM. We have selected items from scales of these phenomena which should measure elements as distinctive from the HRM practices as possible but which conceptually seem capable to substantially influence psychological empowerment<sup>306</sup>.

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<sup>306</sup> In fact, it may be that the support related variables are important, or even crucial mediators of HRM's influence on psychological empowerment. Thus, although HRM may be able to contribute to psychological empowerment it may not be able to do this independent of the support related phenomena. We will pursue such mediational relationships only to the extent that we cannot find evidence of direct relationships.

Also *global assessments and individual interpretative styles* are likely to influence psychological empowerment (Thomas and Velthouse, 1990). HRM practices should however influence processes of global assessments and individual interpretative styles.

"[O]ne approach to global empowerment is through the alignment of organizational processes and structures to *consistently* enhance individuals' task assessments" (Thomas and Velthouse, 1990, p. 679).

Referring to Organ (1990), Moorman and Blakely argue that

"dispositional causes primarily drive an employee's OCB in the early stages of employment until that employee is able to appraise the type of exchange (either social or economic) which defines his/her relationship with the organization" (Moorman and Blakely, 1995, p. 139).

This argument should apply also to any (individual) dispositional causes of other employee attitudes and behaviors, including psychological empowerment. As we have a control for *tenure* this should function at least as some control for the influences of dispositional causes in terms of individual interpretative styles<sup>307</sup>.

It also seems likely that at least *age* and *the number of earlier employers* (experience) would influence psychological empowerment. *Workload* could also influence the experience of empowerment. Therefore these are included as controls. In addition it seems likely that there might be "Hawthorne effects" in relation to all the dimensions of psychological empowerment. Therefore we will also use a control related to *recent radical improvements in the HRM practices*<sup>308</sup>. Also *perceived organizational prospects* as well as *perceived organizational image* might influence psychological empowerment<sup>309</sup>. *Organizational hierarchy* is likely to influence psychological

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<sup>307</sup> The potential influence of individual interpretative styles on psychological empowerment (Thomas and Velthouse, 1990) is comparable to the person related antecedent in terms of cynicism which Van Dyne et al. argue is relevant for organizational citizenship behavior (1994, p. 772) and the phenomenon of negative/positive affectivity which have been included in research on organizational commitment (Iverson and Buttigieg, 1999). We have no such direct individual trait controls. This is a weakness of the present study.

<sup>308</sup> Arguing that this variable controls for a "Hawthorne effect" is perhaps somewhat ambiguous. What the Hawthorne studies showed and did not show is a complex and much debated issue (see e.g. Bramel and Friend, 1981; Sonnenfeld, 1986). One of the things the set of studies arguably showed was that employees (human beings) are affected primarily by the meaning of events and not events "in themselves". What we want to control for with this variable is the probable short term effects that any radical improvement in conditions may have on employee attitudes and behavior but which may whither away by time. The Hawthorne studies did not show that such withering away was the case but they can be interpreted to have indicated that any increased attention given to employees can have positive effects at least in the short term. It is in this sense we use the term, i.e. as a term for the possibility that "paying attention and showing interest in work groups would itself lead to productivity increases" (Beardwell and Holden, 1997, p. 181). Such productivity increases are likely to cease or at least diminish after such "new" attention have ceased. It also seems a common-sense fact that human beings can be more or less momentarily inspired by meaningful events. Excluding such potential short term effects should at least make it somewhat more likely that any identified influences of the HRM practices are more stable in nature.

<sup>309</sup> One might argue that both organizational image and prospects should be influenced by the HRM system. But again, we are interested in detecting the direct influences of HRM. Organizational image

empowerment. We include a control for this in terms of the extent to which pay and benefits are determined by hierarchical position. In addition, in the consultancy industry in particular *perceived possibility of becoming a partner* in the organizations might have a large effect on psychological empowerment. This influence might be an attributional influence based on the subjective perceptions of this possibility. It might also be due to special treatment by superiors because of truly better performance and attitudes. Thus it should be a relevant control when we are studying HRM's general influence on psychological empowerment<sup>310</sup>. The extent to which an organization focuses on a *high quality strategy* could influence psychological empowerment, both positively through the experience of being part of an organization focused on high quality as well as negatively through more demanding work tasks in high quality organizations. As psychological empowerment may also vary between organizations of different size, we will also include *organizational size* as a control variable.

Finally, we argue that all of the variables relevant as controls when analyzing the relation between HRM and psychological empowerment are also potentially relevant when analyzing the relation between the latter and employee work performance.

### 8.2.2 Controls related to organizational commitment

The complexity is great but the importance of controls in research on antecedents and consequences of organizational commitment is clear. Concerning research related to commitment, job involvement and employee turnover, Huselid and Day argued that

“previous research has not controlled for a number of variables that have consistently been found to be important influences on turnover. For example [it has been found that]...salary, age, sex, organizational tenure, educational attainment, perceptions of job mobility, met expectations, work-group cohesion, opportunities for advancement, and job performance...[are] highly related to turnover. If these omitted variables are in turn correlated with organizational commitment and job involvement, the effects of organizational commitment and job involvement on turnover will be confounded” (1991, p. 381)<sup>311</sup>.

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might have both a direct effect on employees' psychological empowerment as well as an indirect effect in terms of attracting competent and motivated employees.

<sup>310</sup> All these perceptual phenomena might also influence employees' perceptions of the organizations' HRM systems. Thus, these perceptual variables function both as more traditional control variables with respect to the relations between the independent and the dependent variables as well as controls for attributional biases in the independent variable.

<sup>311</sup> It is clear that job performance could influence organizational commitment rather than vice versa as we hypothesized above. This is one example of the complexity of feedback-loops noted by March and Sutton's (1997, pp. 700-701). Such feedback-loops or partial reverse causalities are evidently plausible also with reference to psychological empowerment and organizational citizenship behavior. Thus while there might be detectable correlations, we must not conclude that the relationships are unidirectional. In order to diminish the effect of such feed-back loops we will also try to control for employee work performance when analyzing the relationship between HRM and organizational commitment (as well as HRM and psychological empowerment and organizational citizenship behavior). Although they may incorrectly reduce these relationships such analyses seem to be of interest.

Ogilvie (1987) mentions studies that have explored a wide range of variables influencing OC. Relevant control variables thus seem to be *perceptions of fairness* (ibid., p. 340), *work load, age, tenure, position in the hierarchy*<sup>312</sup> (ibid., pp. 341-342). It is also clearly possible that time horizons can affect organizational commitment<sup>313</sup>.

McFarlin and Sweeney found some support for the fact that both *procedural* and *distributive* justice are related to organizational commitment (1992, p. 632). In addition they found a significant interaction effect of these variables in predicting organizational commitment. Also Iverson and Buttigieg's arguments (1999, p. 313) in terms of a general reward-cost paradigm indicate that both aspects of justice and support are important controls<sup>314</sup>. Based on this line of argumentation we thus use *distributive, procedural* and *interactional justice* as well as *coworker, superior* and *organization support* as potentially important controls.

In general, social involvement, group attitudes toward the organization and optional social interactions have been argued to influence OC. Ogilvie argues that

"[t]heoretically, the work group can provide acceptance, aid in mastery of the job environment, and affect investment/cost exchanges. Laboratory studies...have also found that social cues of coworkers influence job attitudes" (ibid., p. 341).

To the extent that we are interested in aspects of *organizational* commitment, supportive supervisory behaviors should also be accounted for because

"it appears as though some individuals develop strong loyalties to specific supervisors and feel less loyalty to the organization if that supervisor leaves" (ibid., p. 352).

Also Becker et al. (1996) suggest the importance of coworker and superior support related controls when analyzing the direct relationship between HRM and commitment. They argue that

"norms regarding in-role behaviors are often established by such local foci as supervisors and work groups [ibid., p. 466]...[In general] psychologically proximal factors in an environment should have a

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<sup>312</sup> In our study we largely control for the hierarchical position in that our respondents are all general consultants working under superiors. In addition, age, tenure and prospects of becoming a partner can arguably be considered as partial controls for hierarchical position.

<sup>313</sup> In addition it is possible that "time horizons may differ with respect to the different components of organizational commitment" (Fenton et al., 1997, p. 597). We will however not account for such differences and will rather only control for differences in time horizons mainly through the variables related to tenure, perceptions of the possibilities to gain partnership in the future as well as the prospects of organizational performance.

<sup>314</sup> Referring to Farrell and Rushbult (1981) they argue that "rewards and costs are viewed as the discrepancy between the extent to which individuals value certain job properties and what job properties they actually receive on the job" (Iverson and Buttigieg, 1999, p. 313). In our study we will simply assume that certain elements (e.g. aspects of justice and support) related to the job are experienced as rewards rather than costs.

dominant effect on behavior. We suspect that, for most employees, local foci are psychologically more proximal than are global foci. Further, because of their proximity and regular interaction with employees, local foci are probably more effective than global foci in monitoring, rewarding, and influencing employee behavior" (ibid., p. 467).

On the basis of their evidence and with reference to organizational outcomes Hunt and Morgan argue

"that global organizational commitment is a key mediating concept and the constituency-specific commitments...lead to, bring about, or result in global organizational commitment" (1994, p. 1581)<sup>315</sup>.

Their evidence further emphasizes the importance to control for some kind of supportive relationships between respondents and co-workers, superiors and organizations when analyzing the relationship between HRM and forms of organizational commitment. Alternatively such variables could be used as mediating variables<sup>316</sup>.

Setton, Bennett and Liden's arguments and evidence support the possibility that the most important control when analyzing antecedents to organizational commitment is perceived organizational support rather than leader-member-exchange relationships (1996, p. 220). This is thus in some opposition to the arguments related to proximity offered by Becker et al. (1999) (see above)<sup>317</sup>.

In addition to the above mentioned controls, we argue that at least *recent radical improvements in HRM* ("Hawthorne effect") is an interesting control (see footnote 308 above). Also prior work experience is likely to influence forms of organizational commitment as this indicates some more informed choice when joining an organization as well as some knowledge of the extent to which the grass is greener on the other side of the fence. We will measure prior work experience by a variable related to the *number of earlier employees*. Based on Fenton O'Creevy et al. (1997) also *prospects for the organizations future performance* and *perceived prospects of*

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<sup>315</sup> The constituency specific commitments they identified concerned workgroups, supervisors and top management. The fit indices they report are very close between their mediational and non-mediational structural models (ibid., p. 1577). They basically justify the mediating model based on more significant parameter estimates and a measure of parsimoniousness (ibid., p. 1581). The outcomes they found global organizational commitment to be related to were two aspects of organizational citizenship behavior, altruism and conscientiousness, as well as two variables measuring intent to quit and non-idleness respectively (ibid., p. 1580). They used no control variables in testing the relationships which means that the significance of any of the relationships should be treated with adequate caution.

<sup>316</sup> As in the case of psychological empowerment, in order to try to sort out the direct influence of HRM on the different forms of organizational commitment, we will primarily try to use the support related variables as controls even if it may be argued that they should also be influenced by HRM and further influence forms of organizational commitment, both in terms of affective value commitment (identification and involvement) as well as affective continuance commitment (loyalty).

<sup>317</sup> Also here one could argue in parallel to Hunt and Morgan (1994) that constituency specific support and exchange relationships may mediate more global support and exchange relationships. Some support for this argument can be retrieved from the fact that leader-member-exchange relationships were highly correlated with perceived organization support in Setton et al. (1996).

*becoming a partner* are interesting control variables when exploring HRM's relationship with forms of organizational commitment. Further, based upon Mayer and Shoorman (1998, pp. 19-20) organizational prestige is a relevant control. For this phenomenon we use a variable related to the *perceived image of the organization*. Based on Iverson and Buttigieg's (1999, p. 313) arguments also *workload* (or stress) seems an important control. Further, also based on Iverson and Buttigieg, *opportunities for alternative employment* is a relevant control (1999, pp. 323; 324)<sup>318</sup>.

Our model also includes the hypothesis that affective continuance commitment is influenced by affective value commitment<sup>319</sup>. Therefore, when analyzing the direct relationship between HRM and continuance commitment we will use *affective value commitment* as a control. This is also in line with the arguments by Huselid and Day (1991) that neither of these aspects of commitment should be studied in isolation. Ogilvie refers to studies reporting influences on commitment in terms of participation in decision making, decentralization, role ambiguity and personal importance (Ogilvie, 1987, p. 341). Such results arguably represent evidence for a hypothesis that psychological empowerment should be viewed as influencing organizational commitment. This is in line with our postulated model. In analyzing the direct relationship between HRM and both forms of commitment we will thus also try to use *psychological empowerment* as a control.

*Organization strategy* and *organization size* are also interesting organizational level controls in that it may be the case that employees tend to identify more strongly with small organizations pursuing high quality strategies.

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<sup>318</sup> One distinction which the authors show is potentially relevant is that between "the *ease* to which respondents can find a job as good, better, or much better than their current one (=job opportunities)...and the *costs* associated with leaving the organization given the loss of side bets (available alternatives and sacrifice of leaving)" (ibid., p. 321). Although the constructs 'job opportunities', 'low perceived alternatives' and 'high sacrifice of leaving' would seem to be conceptually close, in Iverson and Buttigieg the correlations between the first and the latter two were only -0.27 and -0.28 respectively (ibid., p. 320). In both Iverson and Buttigieg (ibid., p. 320) and Meyer et al. (1989, p. 154) the variables related to perceived alternatives and sacrifice of leaving correlated with 0.51. Iverson and Buttigieg also showed some evidence (although scarce information is given and the p-value for the chi-square statistics seems to have been low) of the discriminant validity of the respective constructs (ibid., pp. 321-322). In Iverson and Buttigieg tenure is correlated (0.17) with low perceived alternatives. In Meyer et al. (1989) the correlation between tenure and a composite scale of continuance commitment (consisting of both the components of sacrifice of leaving and low perceived alternatives) is 0.31. It is also reported that the correlation between tenure and the two subscales of continuance commitment was "almost identical to that of the full scale" (ibid., p. 154). Age was not included in Iverson and Buttigieg's study and in Meyer et al. age was not significantly correlated with (the composite scale of) continuance commitment. In any case, to the extent that we control for age, tenure and alternative job opportunities, all potential indicators of side bets influencing the ease of movement (Iverson and Buttigieg, 1999, p. 208), we would arguably at least partly control for "wrong" continuance commitment or continuance commitment with potential negative performance consequences. However, although we include some controls which should tap the ease of movement aspect of loyalty, we note that the lack of explicit controls related to low perceived alternatives and the sacrifice of leaving is a weakness in this study.

<sup>319</sup> In section 7.2.4.2 we argued that the relationships between the components of (affective) commitment may be complex.

Finally, we argue that all of the variables relevant as controls when analyzing the relation between HRM and organizational commitment are also potentially relevant when analyzing the relation between the latter and employee work performance.

### 8.2.3 Controls related to organizational citizenship behavior

Important control variables when analyzing the potential (direct) effects of HRM on OCB include *tenure* (Van Dyne et al., 1994, p. 774) and *hierarchical job level* (ibid., p. 773)<sup>320</sup>. In addition, *workload* would seem to be an interesting control as the possibility to engage in many aspects of organizational citizenship behavior would seem at least partly to be reduced with increased workload. Also prior work experience would seem to influence the ability to engage in OCB. We will measure this by a variable related to the *number of earlier employees*. The influence of employee age is difficult to hypothesize about but clearly it may be related to OCB. Young and eager employees may engage more in OCB. On the other hand they may concentrate on their core work duties and individual careers whereas older employees may be more prone and able to engage in OCB. In any case we will control for *employee age*.

Van Dyne et al. argue for the influence of “socially desirable workplace values” (1994, p. 772-773). Such values or phenomena would arguably include also concepts such as *distributive, procedural and interactional justice* in addition to *co-worker, superior and organization support* related variables. Further, and related to “socially desirable workplace values”, according to Eisenberger et al. perceived organizational support

“would be influenced by various aspects of an employee’s treatment by the organization and would, in turn, influence the employee’s interpretation of organizational motives underlying that treatment” (1986, p. 501).

Eisenberger et al. suggested more straightforwardly that

“positive discretionary activities by the organization that benefited the employee would be taken as evidence that the organization cared about one’s well-being” (1990, p. 31)<sup>321</sup>.

This argumentation, together with Van Dyne et al.’s argumentation about the importance for OCB of feeling valued and valuing the relationship with an organization (1994, p. 768) as well as Becker et al.’s argument about the relevance of proximity (1996, pp. 466-467), clearly indicates that different forms of perceived justice and support should influence OCB.

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<sup>320</sup> As already noted, hierarchical job level is mainly controlled for in this study by the choice of sample and respondents. In relation to the discussion of controls for psychological empowerment we also argued that the lack of a control in terms of cynicism (ibid., p. 772) is a partial weakness in our study.

<sup>321</sup> For more evidence of the influence of discretionary efforts by the organization, see Eisenberger et al. (1997).

Empirical research has also supported a relationship between perceived organizational support and dimensions of OCB as well as “a robust relationship between perceptions of procedural justice and OCB” (Moorman, Blakely and Niehoff, 1998, p. 351). For example, Niehoff and Moorman (1993, p. 547) found support for the fact that formal procedural justice was positively related to (some aspects) of OCB whereas interactional procedural and distributive justice were not. However, Moorman (1991, p. 852) found support for the fact that *interactional procedural justice* but not formal procedural nor distributive justice was related to all but one dimension of OCB included in their study. Niehoff and Moorman offer an explanation for these different results.

“Interactional justice would be more likely [than formal procedural justice] to influence OCB if managers and subordinates were required to work closely together” (1993, p. 550).

The samples in the two studies were different on this dimension. Clearly, in our sample interactional procedural justice should, based on this argument and evidence be a potentially more important control than procedural justice<sup>322</sup>.

Drawing on the literature, Moorman et al. proposed that perceived organizational support could mediate and explain the relationship between procedural justice and OCB (1998, p. 351). They argue that

“among possible antecedents, perceptions of procedural fairness could be part of an employee’s evaluation of the discretionary actions taken by an organization or its agents” (ibid., p. 352).

Their research provided some support for these relationships (ibid., p. 355). At least this confirms the fact that procedural justice is a relevant control variable in our study<sup>323</sup>.

Wayne, Shore and Liden (1997) and Settoon, Bennis and Liden (1996) empirically confirm the importance of including both superior and organization support related variables as controls. Wayne et al. found support for a relationship between both

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<sup>322</sup> In the above studies there may have been multicollinearity related problems because of high correlations between the dimensions of justice (Moorman, 1991, p. 851; Niehoff and Moorman, 1993, p. 545). High correlations, close conceptual linkages as well as interactional effects have been found also elsewhere (McFarlin and Sweeney, 1992, p. 633). There may also be causal relations between the components of procedural and distributive justice (Leventhal, 1980; Greenberg, 1987 and Moorman, 1991). As we shall see, in apparent distinction to Moorman (1991, p. 848) our items related to interactional, formal and distributive justice (when all items were included) did not produce a satisfactory confirmatory model. However, although Niehoff and Moorman provide very limited information on their item level confirmatory factor analyses related to the different dimensions of justice, the p-value for the chi-square statistic concerning their items level confirmatory factor analysis indicates that also they received a bad model fit (1993, p. 541). In their structural analyses Niehoff and Moorman opted for scale scores of the items for each dimension of justice (ibid., p. 542). The properties of discriminant and convergent validity concerning these different dimensions of justice seem still not to have been clearly identified. As we shall see, in an attempt to increase the discriminant validity of these dimensions we have left out some items from the original measurement instruments.

<sup>323</sup> Their study was not exempted from the usual problems of common method bias (Moorman et al., 1998, p. 356) and lack of control variables.



perceived organization support and *leader-member exchange* (LMX) and OCB (p. 101)<sup>324</sup>. Their results

“suggest that researchers need to incorporate both types of exchanges (leader and organization) into predictive models of employee attitudes and behavior” (1997, p. 106)<sup>325</sup>.

In some distinction to Wayne et al. (1997), Settoon et al. (1996) reported some evidence for the fact that LMX is a stronger mediator of the influence of procedural justice on OCB than perceived organization support<sup>326</sup>. Neither perceived leader support nor interactional justice were included in their study. Neither were they included in the study by Wayne et al. (1997). However, satisfaction with the leader has been shown to be positively related to LMX (Martocchio and Baldwin, 1997, p. 60). Thus, the variable in terms of perceived leader support as well as the closely related variable in terms of interactional justice should at least partly substitute for the absence of an LMX variable in our study.

Van Dyne et al. argue that job characteristics such as personal control, autonomy, meaningful work, the ability to affect change should all lead to a heightened sense of embeddedness and thereby to proactive behaviors like organizational citizenship (1994, pp. 773-774). This would seem to imply that psychological empowerment should be a robust predictor of organizational citizenship behavior as implied by our model. When analyzing the direct relationship between HRM and organizational citizenship behavior we will therefore try to use also *psychological empowerment* as a control.

Van Dyne et al. also hypothesize and show some evidence for a mediating (antecedent) role of a complex variable including organizational commitment as well as superior and organizational support related items (ibid., p. 801). Moorman et al. argue that research has provided “support for a significant relation between OC and OCB” (1993, p. 210). However, in Williams and Andersson organizational commitment is not even correlated with either organizational directed nor individual directed OCB (1991, p. 615). They did not analyze the relationship between (different aspects of) organizational commitment and a global construct of organizational citizenship behavior. The difference between O'Reilly and Chatman (1986), where significant relations between organizational commitment and dimensions of organization directed citizenship behavior were found, and Williams and Anderson (1991) are discussed by the latter (1991, pp. 615-616). In addition to potential

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<sup>324</sup> Their OCB construct contained only items related to altruism (or individual and organizational directed helping) (ibid., p. 95).

<sup>325</sup> Wayne, Shore and Liden also provided empirical support for the fact that developmental experiences and promotions affect perceived organization support which in turn affects both affective commitment and OCB (1997, p. 101). However, including only two aspects of HRM may have biased the results because of potential correlations between HRM practices. In any case, on the basis of Eisenberger et al.'s general argumentation above, the HRM system as a whole would seem to potentially influence perceived organization support.

<sup>326</sup> Also Settoon et al. included only the OCB dimensions in terms of interpersonal helping, in addition to a separate variable related to in-role behavior (1996, p. 222).

common method biases, they claim that the main difference is that in O'Reilly and Chatman the OCB measures were self-report measures<sup>327</sup>.

The issue is however further complicated by the fact that both (different forms of) organizational commitment (Iverson and Buttigieg, 1999; Hunt and Morgan, 1994) and organizational citizenship behavior (Williams and Andersson, 1991) can have several different foci which might be differently interconnected. In any case, the mediating roles of *affective organizational value and continuance commitment* are also postulated by our model. When analyzing the direct relationship between HRM and organizational citizenship behavior we will therefore also try to use the two forms of commitment as controls<sup>328</sup>.

Yet another complication is related to *job satisfaction*. In Williams and Andersson aspects of job satisfaction were correlated with OCB and with organizational commitment (1991, p. 610). According to Moorman (1991), Organ (1988) suggested

“that the cognitive component of job satisfaction that appears to be related to OCB probably reflects the influence of perceptions of fairness” (Moorman, 1991, p. 846).

Moorman (1991) empirically found that job fairness, in the form of procedural justice, was more strongly related to OCB than job satisfaction. In fact, when the relationship between procedural justice and OCB was controlled, job satisfaction did not explain any significant variance in OCB (Moorman et al., 1993, p. 211). Moorman et al. further argue that, research has provided (replicated) support for

“a relationship between job fairness and organizational commitment...Therefore, it seems plausible to suggest that perhaps both the relationships found between job satisfaction and OCB and organizational commitment and OCB might be better explained as part of an overall job fairness to OCB relationship” (ibid., p. 212).

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<sup>327</sup> In Moorman et al. (1993) affective commitment was correlated with OCB behaviors but not significant in the analyses when procedural justice was included. In this study scale scores were used for all the constructs except procedural justice where ten single item indicators were used, 5 items depicting interactional justice and five items depicting procedural justice ( pp. 8-9). These differences in the construction of variables may have influenced the results. Williams and Anderson (1991), Moorman et al. (1993) and the present study all use different measures of organizational commitment as well as organization citizenship behavior. This further complicates comparisons. In addition, our OCB variable measures self-reported attitudes towards citizenship behavior whereas in the two studies mentioned above superior assessments of employees' citizenship behaviors (differently conceptualized in the two studies) were obtained.

<sup>328</sup> Van Dyne et al. also argue that work place values in terms of quality, innovation, co-operation and participation (ibid., p. 772) will foster OCB. In this study we have no such overarching value related controls. However, Van Dyne et al.'s construct of organizational values is highly correlated with their construct of covenantal relationship which includes superior support and organizational commitment as well as items reminiscent of organizational support (ibid., p. 801). Thus, to the extent that we include all these latter variables we arguably also to some extent control for the organizational values Van Dyne et al. identified. In addition, in terms of some of their items related to explicit strong organizational values of co-operation and participation (ibid., p. 801), the causal logic seems close to tautological. One may ask whether it is possible to describe an organization as exhibiting strong values of co-operation and participation if employees in the organization did not exhibit high levels of OCB.

The results of Moorman et al. (1993) thus indicate that perceptions of job fairness, in particular of procedural justice, when compared to job satisfaction and organizational commitment, is the more important predictor of OCB. In our study, we have left out a measure of job satisfaction partly due to the above empirical results and because the construct of job satisfaction seems to conflate issues of justice and satisfaction (Moorman, 1991, p. 846). In addition, the construct of job satisfaction seems to confound measures related to superior support, co-worker support, empowerment, HRM practices and job characteristics as can be seen from the items related to job satisfaction in Williams and Anderson (1991, p. 608)<sup>329</sup>.

In addition to the above variables, based upon Moorman et al. (1993, p. 219) we will also use the more traditional elements of *employee work performance* in terms of quality/efficiency and innovativity as controls when analyzing the role of HRM as an antecedent to OCB. *Perceived alternative job opportunities* is also likely to affect all the dimensions of OCB. Further, *perceived possibilities to gain partnership* might affect OCB, although it may affect at least some of the dimensions in opposite directions. With reference to organizational phenomena it would seem that *organization size*, *a high quality strategy*, *organizational hierarchy*, *organizational image* and *prospects of future organizational performance* would affect the motivation and atmosphere conducive of OCB. We will therefore include also controls related to all the above phenomena.

In summary, the complexity of research related to OCB is great. We still do not include all potentially relevant control variables. However, our controls do cover most of the ground that previous research has found relevant. In addition, we include some controls that have not been included in earlier studies. Finally, as long as researchers study the relations between antecedents and consequences of individual dimensions of OCB, which has been the case in all of the above studies, the talk about organizational citizenship behavior as opposed to organizational citizenship behaviors is really ambiguous. Researchers run the risk of setting up

“research hypotheses at the construct level, conduct analyses at the dimension level, but make conclusions at the construct level (Law, Wong and Mobley, 1998, p. 749).

#### **8.2.4 Concluding remarks related to the intermediate variables**

Trying to put in perspective the current knowledge of the relationships between our focal intermediate variables, and between these and certain other variables, it might be argued that none of the mentioned studies have yet included an adequate set of control variables. The discussion of causal logics, most often in loosely social exchange theoretical terms, related to psychological empowerment, dimensions of

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<sup>329</sup> Shore and Tetrick (1991, p. 639) support the fact that these facets of employee satisfaction do not form a (unidimensional) construct. This was the case despite the fact that the Cronbach's alpha for all their items of employee satisfaction was as high as 0.92 (ibid., p. 639). In addition, their analyses were not able to clearly distinguish a construct of employee satisfaction from perceived organizational support. This gives a further reason for not including a construct of job satisfaction but rather for trying to use more specific constructs. It may nevertheless be noted that by using a different more general measurement instrument of employee satisfaction, Eisenberger et al. (1997) were able to make some distinction between POS and employee (job) satisfaction.

organizational commitment and organizational citizenship behavior usually make sense. However, any of the proposed causal logics usually apply also to other antecedents. Thus, in particular if the causal logics cannot be specified and differentiated, the relations of and between the constructs largely boil down to an exploratory empirical matter. Considering this, the fact that (still) fairly few controls have been used seriously reduces the epistemic status of current evidence. Studies have often faced high correlations between included constructs of employee attitudes and it may be expected that also other excluded attitudes consistent with the causal logics exhibit similarly high correlations.

Causal directions is an additional problem as all the reviewed studies have been more or less cross-sectional. The fact that most of these studies have had the problem of common method errors between independent and/or between independent and dependent variables aggravates these epistemic problems. While we in the current study include more controls than most earlier research, we clearly face the problems of causal directions as well as common method errors.

With reference to the relationship for example between organizational commitment and organizational citizenship behavior the evidence is also somewhat contradictory even excluding common method errors. In two out of four studies we know of where data on organizational commitment and organizational citizenship behavior have been collected from different respondents and which should thus be uncontaminated by common method errors, organizational commitment was not significantly biserially correlated with organizational citizenship behavior (Settoon et al., 1996, p. 223; Williams and Andersson, 1991, p. 610). The former analyzed their relationship without any controls. However, although Wayne and Shore did not analyze the relationship in more detail, in their study the constructs of affective commitment and organizational citizenship behavior were at least significantly biserially correlated (1997, p. 99). In Moorman et al. a construct of affective commitment was also correlated with five separate dimensions of organizational citizenship behavior and (instrumental) continuance commitment was correlated with three of them (1993, p. 224). However, controlling for procedural justice and job satisfaction in their structural analyses, the authors did not find any significant relationships between commitment and OCB (*ibid.*, p. 224). Somewhat different constructs were used in these studies except that Wayne and Shore (1997) and Settoon et al. (1996) shared more or less the same construct of organizational commitment. Settoon et al. (1996) and Williams and Andersson (1991) shared the same items for the organizational citizenship behavior construct but the latter formed two different constructs out of the same items. Despite these differences the four studies together indicate the instability of the findings so far.

It can also be noted that in Wayne et al. perceived organizational support is both biserially correlated with organizational citizenship behavior and also significantly related to it in the structural analyses (1997, p. 101) whereas in Settoon et al. perceived organizational support is not even significantly correlated with organizational citizenship behavior (1996, p. 223). This represents further evidence of the instability of current knowledge and the continuous importance of including all potentially relevant constructs in future studies.

Daft and Lewin argued that “[n]ormal science is concerned with internal validity...and to a lesser extent with external validity” (1990, p. 7). In one sense, the external

validity (of constructs ) should be pursued by including many closely related but distinct constructs as controls. In the more holistic sense, i.e. in terms of nomological validity, external validity can be more reliably checked only by replication studies ideally performed by independent researchers in combination with the use of adequate controls. More hermeneutical studies of the understanding of the constructs by respondents in different contexts could perhaps further improve upon the external validity of both constructs and nomological relationships.

Thus, what would be needed, in order to increase the epistemic confidence that research in this area tends to give rise to are independent replication studies with relevant controls using the same items and constructs both in relation to the same and different (kinds) of respondents. Before that is likely to take place more widely and fruitfully, however, the research community would have to exhibit more agreement on discriminantly valid constructs. Such agreement may still necessitate a fair amount of renewal of currently available measurement instruments. It is likely that when researchers begin to analyze more complex internal relations between the multitude of concepts concerning organizational behavior they will face problems of discriminant validities<sup>330</sup>.

Most studies to date have provided only fairly limited evidence of discriminant validities either in terms of exploratory or confirmatory factor analyses<sup>331</sup>. Wayne et al. included a larger than usual number of constructs, including an impressive number of items, in an exploratory factor analysis (1997, pp. 96-97). However, also they performed two distinct factor analyses for antecedents and dependent variables [albeit also including one independent in the latter (*ibid.*, p. 98)]. In the subsequent structural equation analyses the authors included only composite scores of all the variables except one (Wayne et al., 1997, p. 100). The prevalence of performing validating exploratory or confirmatory factor analyses, in particular partial ones, and then forming composite scores is still a less than ideally satisfactory procedure. However, analyzing relations between composite scores based upon validations in terms of partial confirmatory factor analyses is also to a large extent a liability in the present study.

A final epistemic problem with reference to the reviewed research relates to model choices based upon comparisons of nested models. These choices seem less clear than indicated by some research and there seem to be no reason to date to exclude any variables based upon the results of such comparisons. Thus, e.g. the choice between some models exhibiting a fairly similar fit in Wayne et al. (1997) and Settoon et al. (1996) seems unfounded. The latter argue that

“[i]n the comparison procedure, a nonsignificant chi-square difference between two models suggested that the more restricted model is a better

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<sup>330</sup> Although there are a number of more specific measurement instruments, researchers in organizational behavior clearly still face problems analogous to those of organization studies in terms of the definition and adequacy of utilized constructs (McKinley and Mone, 1998, pp. 175-176).

<sup>331</sup> In addition, based upon the reported results of confirmatory factor analyses many of the studies also leave room for improvement in (the reporting of the) fit indices.

model because greater parsimony is achieved without a significant decrease in the overall fit of the model" (1996, p. 222).

A similar argument is offered by Andersson and Gerbing (1988) as referred to by Wayne et al. (1997, p. 103). Referring to James, Mulaik and Brett (1982), Settoon et al further argue that their procedure of nested-model comparisons "addresses the prediction that the constrained or restricted paths in the nested models hypothesized to be zero are indeed zero" (1996, p. 222). We would argue that insignificant changes in chi-square and model parsimony are only necessary but not sufficient criteria for excluding models. Parsimony is one criterion of scientific theories but it cannot be used in an ad hoc manner. Researchers should also be able to theoretically argue why certain additional paths should be excluded or constrained, in particular in cases where some theory apparently justifies also the additional paths. In the case of e.g. Wayne et al. there are surely equally good arguments to hypothesize e.g. model 3 (1997, p. 103) as there are for the one hypothesized by the authors themselves. In Settoon et al. there seem to be equally good criteria for hypothesizing model 3 as the one they hypothesized (1996, p. 223). Parsimony could be achieved if we explicitly by controlling for other paths still could claim that a smaller amount of phenomena to a sufficient degree explain another phenomenon *and* that the model fit does not decrease if additional paths are constrained. Thus, what amounts to a sufficient degree would also have to be discussed in order to justify a parsimonious explanation. At least one would also like to see information on the  $R^2$ 's and the significance and largeness of the path coefficients related to excluded or constrained paths as well as information on the consequences for the other paths when the constrained paths are estimated and thus controlled for.

In summary, although there are a number of open questions, our reviews above indicate that researchers have increasingly began to analyze the inter-relations of a range of concepts argued to be of importance in the literature on organizational behavior. Much more research with this purpose seems important. In particular, most studies that have involved the concepts of psychological empowerment, organization commitment and organizational citizenship behavior have tended to include only part of the elements that have been included in system level HRM research. An integration of these research streams seems important. At least system level HRM research has reached a point where it needs to get involved with the jungle of potentially relevant concepts mediating and/or moderating potential relationships between HRM and employee as well as organizational performance. We have attempted to take part in the beginning of this journey.

It may be that

"multiple exchange relationships are needed both by employees and by organizations. Employees secure different forms of resources and support from each exchange relationship, and organizations benefit from different desired employee attitudes and behaviors that are associated with each exchange relationship....[E]ach exchange relationship may be associated with different employee behaviors. This implies that the process of changing employee attitudes and behaviors may be even more complicated than originally thought..." (Settoon et al., 1996, p. 225).

One complication is that many or perhaps even most exchange relationships may also be associated with the same antecedents and consequent employee attitudes and

behaviors. Despite the evidence by Settoon et al. (1996) and Wayne et al. (1997), criticized above, the differences between both antecedents and consequences of the different exchange relationships may ultimately be hard to identify. As noted, the sorting out of the complicated relationships exhibited by employee attitudes and behaviors is likely to necessitate a great deal of fine-tuning and adjustment of the concepts and constructs in order to form a consistent, meaningful and validated landscape of such behaviors and attitudes. By including more organization behavior related constructs than earlier studies we attempt to take a further step towards more integrated analyses of this conceptual landscape. In general, in our study we try to control for most of the variables which in earlier studies in a somewhat fragmentary manner have been empirically found and/or argued to be potentially important antecedents of our focal intermediate constructs.

### 8.2.5 Controls related to employee work performance

We have not found much research explicitly on antecedents to employee work performance. However, Settoon et al. argue that “[e]mpirical research has found *perceived organizational support* to be positively related to performance of conventional job responsibilities” (1996, p. 220). Based on the results of Settoon et al. with reference to LMX, also the at least partly related constructs of *superior support* and *interactional procedural justice* should be relevant controls for employee work performance. Also the results of Wayne et al. (1997, p. 101) indicate the importance of both leader and organization support related controls. The results of Moorman (1991) also indicate the importance of controlling for interactional justice (1991, p. 852) since in their study it was related to conscientiousness which may well be related to work performance. In general we argue that *all our controls related to the intermediate attitudinal constructs* are also of interest when analyzing the direct and mediated relationships between HRM and employee work performance.

### 8.2.6 Controls related to organizational performance

In order to achieve legitimate empirical evidence of the influence of HRM practices on firm performance we should of course have a good general understanding of other phenomena which influence this outcome. These should then be controlled for.

MacDuffie (1995) and Ichniowski et al. (1997) tried to develop highly specialized controls for the specific context of their studies. In this sense they represent good examples. However, most of their controls are not relevant for our sample. Huselid and Becker (1996) refer to research where the following have been claimed to have an influence on organizational performance:

“investments in physical (plant and equipment), intangible (R&D) and human assets (employment) and recent sales growth....firm specific risk, industry unionism, and industry market concentration” (1996, p. 406).

As we study more or less one industry we have included *degree of competition* in the organizations’ market segments as a control instead of industry market concentration. We have also excluded the other industry related controls, such as capital intensity, stockprice variability and industry itself (Huselid et al., 1997, p. 178).

In our study we acknowledge the limitation of not using R&D and investment in equipment as control variables.

We have a slight problem with the control variable in terms of *unionization*. Unionization could arguably influence the adoption and utilization of the HRM practices but it is not clear to us how it could have an effect on performance independent of these practices. It seems a somewhat obscure and ambiguous variable to the extent that it is intended as a control for a different set of employee management practices than those HRM practices hypothesized to be effective. It has however repeatedly been found to affect firm performance (Delaney and Huselid, 1996, p. 959). In any case, our sample should be an acceptable control for this phenomenon.

We also have a slight problem with “the *quality of other functional areas*” (Becker and Huselid, 1998, p. 87) which has been used as a control variable. HRM should arguably influence the performance of all functional areas. The proper control would be some sort of specified phenomena (at least not directly influenced by HRM) related to these other functional areas which has been argued to be of importance by researchers in fields related to these functions. We have no such control. However, we have at least ameliorated this potential problem as the organizations under study arguably are dominantly dependent on the work of one group of employees in relation to which we have studied HRM.

Becker and Huselid also used a control related to *prior firm growth in sales* (1998b, p. 10). Differences in sales growth arguably belong to the phenomena which according to the “HRM paradigm” should be influenced by HRM. In fact, sales growth and productivity/profitability would arguably belong to the essential mechanisms through which HRM could influence market values of firms. However, many other things than HRM might influence sales growth, including prior sales growth. Controlling for prior sales growth may be important in order to isolate the direct influence of HRM. Also March and Sutton argue for probable feedback-loops of prior organizational performance (1997, p. 700-701)<sup>332</sup>. However, with the inclusion of proper controls and intermediate mechanisms the devastating role of such feed-back loops with reference to unidirectional causal interpretations should at least be ameliorated. It is nevertheless entirely conceivable that feedback loops in terms of organizational performance could affect all our variables. Partly, positive feedback loops within the model can be viewed as an example of (the complexity of) theoretically acceptable amplificatory mechanisms of potential HRM effects on employee and organizational performance (ibid., p. 700-701). Under the equilibrium assumption (Becker and Huselid, 1998b, p. 5) HRM should also, to the extent that it is as effective as implied in the literature, have been able to turn around “an emotional climate of failure, where interlocked cycles of declining performance and internal reactions lead to organizational demise” (March and Sutton. 1997, p. 700). In any case, although not

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<sup>332</sup> Feedback-loops would seem to affect almost any social phenomena and is not a problem related only to research on organizational performance. We should therefore in social science in general be careful not to make too simplistic “unidirectional causal interpretations” (ibid., p. 701). Acknowledging such probably universal feed-back loops, one may begin to wonder what the assumption of observing equilibrium effects (Becker and Huselid, 1998b, p. 5) in fact can mean. As already noted, this assumption is also adopted by us. It can arguably mean only that in relative terms, on average, we assume that the practices have been more or less in place for an equally long and sufficient period of time in the studied organizations. But few things in organizations stay exactly the same way from year to year.



controlling for prior organizational performance, we will use a control in terms of *organizational image*. This should arguably represent one mechanism of feedback loops in terms of prior organizational performance. As is the case with prior organizational performance / growth in sales, organizational image might (or indeed should) be affected also by the organizational HRM system. However, we include this variable as a control as many other things than HRM might affect the image of an organization which in turn might affect both the quality of candidates applying for jobs as well as (in other ways) organizational performance<sup>333</sup>.

March and Sutton also discuss potential negative feedback loops. In this study we cannot identify such potential feed-back loops between short versus long term performance (ibid., pp. 700-701). Nor can we identify such potential loops in terms of learning dynamics (ibid., p. 701)<sup>334</sup>.

In summary, when analyzing the direct and mediated relationships between HRM and organizational performance, between the intermediate variables and organizational performance, and between employee performance and organizational performance we include the above mentioned controls in terms of *image of the organization*, and the *competition within the organization's market segment*. We also include controls in terms of the organizations' *strategic focus on quality* and *organization size*. Further, we include the controls in terms of all the other phenomena which might affect the perceptions of the HRM practices, the attitudinal phenomena, employee work performance and even organizational performance directly. These controls thus include *employee age, tenure, number of earlier employers, probability to gain partnership*<sup>335</sup>. We also control for *workload, organizational hierarchy, prospects of organizational performance, recent radical changes in the HRM system, as well as distributive, procedural, and interactional justice and lastly coworker, superior and organizational support*.

There are many additional organizational and environmental phenomena which have been related to organizational performance by other researchers which thus should be controlled for. As one further specific example it is considered that "there is evidence of a clear link between the performance of a firm and the dynamism of its

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<sup>333</sup> The variable is at the same time used as a control for the respondents' attitudinal biases.

<sup>334</sup> March and Sutton mention the potential causalities that "in response to failure decreases in slack and increases in search tend to improve performance in the short run", but when the performance is good the reverse will take place with reverse consequences (ibid., p. 701). With reference to learning dynamics they argue that "[s]uccess at using one technology, strategy, or behavior leads to increased use...[which] produces a competency trap which is detrimental in the long run" and that short term success "leads to an underestimation of danger and a degradation of safety" (ibid., p. 701).

<sup>335</sup> These four more clearly individual based controls are relevant because these individual characteristics may affect the relationships between our independent variables and organizational performance and the characteristics do not in our sample reflect any average workforce characteristics of the analyzed organizations. As earlier noted we make the strong assumption that the individual interpretations of the theoretically focal phenomena reflect general organizational characteristics, in particular as we control for the before mentioned individual characteristics as well as the other potentially biasing phenomena mentioned after this footnote which may reflect both individual as well as organizational characteristics.

environment (Chandler, Hagström & Sölvell, 1998; Malmberg, Sölvell & Zander, 1996; Porter, 1994)” (Furu, 1999, p. 5). In fact, regardless of the truth of this claim, we have fairly well controlled for this specific variable through the choice of our sample. But there are many more claimed sources of organizational performance which we have not controlled for<sup>336</sup>. In addition to the HRM perspective, Pfeffer discusses four other perspectives on organizational performance, i.e. structural contingency theory, organizational ecology and “the social model with its emphasis on interorganizational linkages and structural position” (1997, p. 176). ‘The social model’ arguably refers to network-theoretical perspectives. It is clear that, in order to sort out HRM’s influence on organizational performance, researchers should ultimately try to control for essential variables related to these other perspectives on organizational performance. However, due to the limited development of relevant constructs there are considerable difficulties in doing this (McKinley and Mone, 1998, pp. 175-176). As many potentially relevant phenomena are still left out from the current research attempt, the link between HRM and organizational performance is going to be explored only in a cursory manner in this study. However, this is arguably not more cursory than previous research on organizational performance from any one perspective.

Empirical studies which would legitimate an inference to effects on organizational performance are thus tremendously difficult to produce. In the meanwhile researchers continue to try to find significant correlations mostly between variables related to their subfields only and organizational performance. In so doing, the fact is that researchers in general cannot exclude the possibility that any relationships they come up with, no matter how well theoretically argued, might be partly or even completely spurious.

March and Sutton argue (or warn) that

“the emperor of organizational performance studies is for the most part rather naked...New enthusiasms succeed old ones, but the process appears to be less one of gradual accumulation of knowledge than of sequential substitution of new ideas for old ones” (1997, p. 702).

There is however nothing which would indicate that the general line of problems March and Sutton describe are related to research on organizational performance alone. Explicit organizational performance studies merely represent the tip of the naked iceberg. Researchers in organizational science doing (qualitative or quantitative) research on any topic where explanations are offered seem to confront similar problems of complexity. Almost any area of research in organization science can more or less be characterized by a process where “new enthusiasms succeed old

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<sup>336</sup> In order to be a relevant control, any one such a phenomenon need not even be highly correlated with HRM. There might be many phenomena which, although on their own only weakly correlated with the HRM system, (together) influence organizational performance to the extent that any distinct relationship between HRM practices and organizational performance may be leveled out.

ones... [simply in terms of a] sequential substitution of new ideas for old ones" (ibid., p. 702)<sup>337</sup>.

Although there seems to be no empirically well established and generally agreed upon or cumulatively built upon explanations of any organizational phenomena, the complexity of the history of earlier findings and the complexity of potential causal logics is no absolute reason for not continuing attempts to improve the understanding of the kind of phenomena included in our model. However, no matter what the empirical analyses suggest, we should clearly be careful in our interpretations as long as models and explanations (including control variables) in general remain at a fairly simplistic level. The larger question concerns the legitimacy, plausibility and fruitfulness of different forms of organizational research at large<sup>338</sup>.

### 8.3 OPERATIONALIZATIONS: CONSTRUCTS, SCALES AND MEASURES

#### 8.3.1 Strategic fit and other antecedents to the HRM system

We have taken our items for **professional HRM capabilities** among HRM staff members from Huselid et al. (1997, p. 176). Respondents were superiors in each organization. None of them were HRM managers. The variable consists of an additive composite score of all the items. The items are considered theoretically implied causal rather than reflective indicators<sup>339</sup>. The Likert scale items for this construct were

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<sup>337</sup> This does not mean that there are not individual researchers or even larger groups of researchers who continue to develop certain hypotheses and theories. However, as we noted in chapter 2, researchers tend to work within relatively confined theoretical landscapes where due attention to alternative propositions is not paid (McKinley and Mone, 1998).

<sup>338</sup> In chapter 2 we argued at length that there are probably no a priori solutions to these larger questions. We have now tried to establish and understand the more specific complexity of the causal logics, the general lack of agreed upon constructs and measurement instruments, the frequent use of very limited controls in empirical research, as well as the often less than optimal research designs. Statistical analyses are made and conclusions drawn based upon confidence levels of 0.05 or 0.01. In fact, it is arguably often the case that changing a few items of constructs can lead to accepting or rejecting hypotheses. Reflecting on these arguable facts we may be lead to the conclusion that storytelling (Czarniawska, 1995; 1997; 1999) rather than science is the name of the game regardless of whether the research approach is quantitative or qualitative. If this is the conclusion, outright storytelling without the attempt to mimic the "hard" sciences seems to have much speaking in its favor. Nevertheless, quantitative data and analyses generated by several researchers might minimally serve the purpose of more clearly showing how little we know. In this study we have chosen to pursue the quantitative approach still curious about what it involves and where it may lead. In order to pursue this we still need to settle for some operationalizations of the concepts involved in our theorization. To this issue we now turn.

<sup>339</sup> We will discuss the issue of reflective versus causal indicators in more detail in section 8.3.2.3 dealing with the HRM system construct. Here we only claim that it makes no sense to believe that the items below would simply be different manifestations of one and the same construct such that professional HRM capability would cause each one of these items. It seems rather to be the other way around. As is argued in section 8.3.2.3 this implies that the items do not have to be correlated and that the common reliability measure in terms of Cronbach's alpha is not applicable.

Your company has during at least 5 years had one or more HRM professionals, within or outside this company unit, who:

- exhibit leadership for the HR function
- define and communicates HR vision for the future
- educate and influence superiors of core employees on HR issues
- have broad knowledge of many HR practices
- are knowledgeable about competitor's HR practices
- focus on the quality of HR services
- have experience in key business areas which your company is involved in

The **persistence** in efforts to develop and sustain the quality of the HRM practices were measured as superior perceptions. The construct consists of a composite score of the perceived efforts related to the individual HRM practices. Also these items are considered theoretically implied causal rather than reflective indicators. The Likert scale items for this construct were developed by us and were:

During at least five years your company has made continuous efforts to sustain or develop the quality of

- the criteria for determining consultants' bonus pay (or other additions to their base pay)
- the way it allows consultants autonomy in doing their job
- the training and development programs it provides consultants
- its socialization process for new consultants
- its internal communication and information sharing
- the performance appraisals for consultants
- the way it involves consultants in general planning and decision making concerning internal company issues
- its selection process for consultants

Becker and Huselid (1998b, p. 6) note that interaction terms has been the typical method employed to capture the central properties of **external and internal fit** (see e.g. Huselid, 1995; MacDuffie, 1995; Delery and Doty, 1996; Youndt et al., 1996)<sup>340</sup>. Becker and Huselid refer to Becker and Gerhardt who have pointed to limitations of this approach (1996, pp. 788-789). In essence these limitations concern both statistical aspects (multicollinearity) and interpretational aspects (for more on such interpretational problems, see Venkatraman, 1989, pp. 427-428)<sup>341</sup>.

Wright and Sherman (1999, pp. 56-58) try to offer a more comprehensive classification of the diverse conceptualizations/operationalizations of external (and partly also internal) fit utilized in the HRM literature. This classification is based on

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<sup>340</sup> When the notion 'external fit' has been used in the HRM literature it has exclusively referred to the fit between HRM practices or HRM systems and organizational strategies. No quantitative HRM study so far has incorporated the external (environmental) appropriateness of an organization's strategy either into the strategy measure or as a separate control.

<sup>341</sup> Venkatraman also argues that multicollinearity does not pose an inextricable problem (ibid., p. 427). However, we will review some divergent arguments with reference to the issue of multicollinearity in chapter 9.

the general framework provided by Venkatraman (1989). Venkatraman identifies two fundamental decisions with reference to the choice of a specific concept of fit. First,

[i]n some cases, a precise functional form of the relationship between the underlying variables can be specified, but in other cases, certain variables are said to fit together, without describing a precise form...[Secondly, it may be desirable either] to anchor the concept (and tests) of fit to a particular criterion (e.g. effectiveness) or to adopt a criterion-free specification" Venkatraman, 1989, p. 424).

Venkatraman argues that these dimensions of specificity of functional form and anchoring to a criterion can be employed "to identify six distinct perspectives of fit" (ibid., p. 424). Wright and Sherman claim that "[t]he HRM literature has examined fit using each of the [six] potential operationalizations offered in [Venkatraman's] framework" (1999, p. 56). However, we would argue that this is not exactly true. Further, some weaknesses in the appropriation of the different perspectives can be detected. This is in fact also more or less acknowledged by Wright and Sherman (1999, p. 58).

In their review of operationalizations of fit in the HRM literature (ibid., pp. 56-58) Wright and Sherman group interaction-operationalizations under the perspective of "*fit as moderation*". This perspective has both a precise functional form and is "intricately" (Venkatraman, 1989, p. 428) anchored to a specific criterion. This approach is exemplified by e.g. Huselid (1995). Here Huselid first computed aggregate measures of two dimensions of HRM, each based on (factor analyses of) a set of HRM practices. Then he analyzed the effects of interactions, i.e. the two HRM variables' interaction with each other (internal fit) and the interaction of each of these in turn with a measure of strategy (external fit). Arguably also McDuffie (1995) utilizes mainly this perspective in terms of his interaction tests. Both Huselid (1995) and MacDuffie (1995) analyzed only the form of moderation. Neither analyzed the strength of the moderation effects or quadratic effects (Venkatraman, 1989, pp. 424-427) and thereby left the potential specification of the functional form somewhat open. In particular, according to Venkatraman the absence of controls for quadratic effects of the original variables "weakens the interpretations" (1989, p. 427) of interaction effects. Finally, an essential general limitation of this approach is "the inability to separate the existence of fit from the effects of fit" (ibid., p. 427).

The "*fit as mediation*" perspective specifies intervening mechanisms and is according to Wright and Sherman exemplified by Snell (1991). As the view of fit as moderation this perspective is also characterized by being "anchored to a specific criterion variable. However, the functional form of fit is, viewed simply as indirect effects, less precise than [at least potentially] the moderation perspective (strength, form, quadratic effects, etc.)" (Venkatraman, 1989, p. 429).

The view of "*fit as matching*" was also utilized e.g. by Huselid (1995) in terms of his "deviation score analysis" (Venkatraman, 1989, p. 431) of both internal and external fit. Limitations of this approach include the facts that "the reliability of a difference score...is less than the average reliability of its component parts...[and that the] difference score may be spuriously related to the criterion variable through the effects

of the original components [and may exhibit] weak discriminant validity [with reference to] its component parts" (ibid., p. 431)<sup>342</sup>.

The "*fit as gestalts*" perspective is discussed by Venkatraman in terms of cluster analyses. He argues that this perspective is characterized by being criterion free and minimally precise (ibid., p. 432)<sup>343</sup>. Becker and Huselid (1998b) employed this perspective and combined it with regression analyses of performance differences between different clusters<sup>344</sup>. Also MacDuffie used cluster analysis identifying different sets of clusters (all different from the ones identified by Becker and Huselid, 1998b) but analyzed the significance of performance differences between aggregated mean values of these clusters only by means of t-statistics. In so far as we only very broadly specify this perspective as defining fit in terms of "the degree of internal coherence among a set of theoretical attributes" (Wright and Sherman, 1999, p. 57) we could arguably include more HRM studies within this perspective. Wright and Sherman include e.g. Huselid (1995) in terms of his variable based on the explicit questionnaire item asking broadly "how consistently HR practices were applied across business and/or divisions" (Wright and Snell, 1999, p. 57). Such an operationalization thus allows analyses of the effects of an increasing loosely defined level of internal and/or external consistency or gestalt.

"*The profile deviation view of fit*" conceptualizes fit as "the degree of adherence to an externally specified profile" (Venkatraman, 1989, p. 433). According to Venkatraman this perspective is "different from the gestalt perspective because the referent profile is anchored to a specific criterion (typically performance)" (ibid., p. 434). However, at least in HRM research, utilizing something like this approach, the profiles have not been anchored to a specific criterion any more than within the gestalt approach. The difference is thus more related to the fact that "the profile deviation view of fit" involves externally specified profiles whose functional form at least potentially is more precise than within the perspective of "fit as gestalts"<sup>345</sup>. The "profile deviation view of fit" was according to Wright and Sherman (1999) utilized by Delery and Doty (1996). However, Delery and Doty's analyses are complex and their profiles were not "completely" externally specified. Rather they were partly based on empirical criteria (thus approaching cluster analysis/the view of fit as gestalts). They developed their

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<sup>342</sup> At least Huselid controlled for component parts in his analyses (1995, pp. 664-665) and should thus have avoided the possibility of spurious effects for the reasons identified by Venkatraman.

<sup>343</sup> The specificity can arguably be increased by identifying a proper dichotomization criterion (Law, Wong and Mobley, 1998, pp. 748-749).

<sup>344</sup> Venkatraman also argues that the number and stability of such gestalts or clusters as identified by Becker and Huselid would have to be demonstrated (1989, p. 433). Only the third criteria of descriptive validation identified by Venkatraman in terms of theoretical meaningfulness of the gestalts is to some extent met by Becker and Huselid in that they broadly argue that "at least three of the clusters are consistent with the HRM literature" (1998b, p. 9). As the HRM literature itself is not characterized by any notorious consistency this justification is also still somewhat vague.

<sup>345</sup> The fact that the functional form also of clusters can be more specified by identifying a dichotomization criterion (Law et al., 1998, pp. 748-749) indicates that the difference between "the profile deviation view of fit" and the view of "fit as gestalts" becomes somewhat blurred in terms of Venkatraman's criteria of functional form.

profiles by empirically identifying the mean of different variables in their sample. These mean values represented one profile. Two other profiles were developed "as plus or minus one standard deviation from the mean of each variable" (Delery and Doty, 1996, p. 817). In this way they developed three ideal profiles each for employment systems on the one hand and strategies on the other hand. In one application of the "profile deviation view of fit" Delery and Doty analyzed the effects of the deviation from the different ideal profiles of employment systems thus trying to capture effects of internal fit (see, *ibid.*, p. 817)<sup>346</sup>. Further, Delery and Doty also applied a more complex "profile deviation view of fit" in their analyses of the deviations from the ideal employment system profiles which were deemed most appropriate for the ideal type strategy that the organizations' strategies were closest to (see *ibid.*, p. 817). This can arguably be understood as a combination of the profile deviation view of fit and the broader form of fit as *gestalts* discussed above. In addition, Delery and Doty extended their application of the profile deviation view of fit in their analyses of the explicit congruence of hybrid employment system profiles and hybrid strategic profiles (see *ibid.*, p. 817). This analysis of Delery and Doty's can be understood as "a deviation score analysis" (Venkatraman, 1989, p. 431) with reference to two profiles, i.e. as the matching of deviations from ideal type employment systems to deviations from ideal type strategies. This last approach in particular thus seems to exemplify a combination of the view of fit as matching and the profile deviation view of fit<sup>347</sup>.

The *covariation view of fit* is defined by Venkatraman as "a pattern of covariation or internal consistency among a set of underlying theoretically related variables" (1989, p. 435). He argues that

"gestalts are viewed as products of cluster analysis (grouping of observations based on a set of attributes), whereas covariation is modeled as factor analysis (grouping of attributes based on data from a set of observations)...[F]it as covariation differs from...the perspective of fit as *gestalts*...in relation to the degree of specification of the functional form. [Fit as covariation] requires a much greater precision in the pattern of logical consistency among the factors and the explication of the underlying logical link among the attributes" (*ibid.*, p. 436).

Wright and Sherman (1999, p. 58) allocate the configurational approach used by Delery and Doty (1996) to the perspective of "fit as covariation". This seems inappropriate. In addition, they allocate Huselid (1995) to this perspective. This is only partly appropriate in terms of Huselid's factor analysis of the HRM practices and thus only in terms of a partial form of internal fit. However, Huselid used indexes in the actual analyses and later abandoned the factor analytic approach altogether (see Huselid and Becker, 1996). We would argue that there are no good examples of this perspective in the HRM literature. In fact, based on the review of Law et al.'s (1998)

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<sup>346</sup> Delery and Doty performed two versions of this internally focused "profile deviation" analysis. One analyzed the effects of deviations from the ideal type employment systems most clearly resembling each organizations' employment system (see *ibid.*, p. 823). The other analyzed simply the effects of deviations from the two "extreme" ideal type employment systems (see *ibid.*, p. 824).

<sup>347</sup> With reference to their deviation scores Delery and Doty (1996, pp. 823-824) avoided, as did Huselid (1995), the kind of potential spurious effects outlined by Venkatraman (1989, p. 431).

classification of constructs and the proper domain of factor analysis together with our considerations of the nature of the HRM construct (see 8.3.2.3), this perspective of fit is hardly appropriate at all for conceptualizing either internal or external fit between HRM practices.

Wright and Sherman argue that differences

"in what is meant by fit and the ambiguity surrounding the concept of fit may account for a substantial portion of the lack of consistent support for the "fit" effect in the SHRM literature" (1999, p. 58).

Based on our arguments in the chapter 3 we have drawn the conclusion that due to the many complexities and epistemological uncertainties involved we should use broad performative definitions of both HRM practices and fit. In this study we arguably exploratively introduce a combination of some of the above conceptualizations/operationalizations of fit which should be consistent with our earlier theoretical arguments. Our direct measure of internal/external fit is most closely related to the view of *fit as gestalt* in the broad sense discussed above. But we also use this conceptualization of internal/external fit within the view of *fit as mediation* in that we specify the HRM system, the employee attitudes and the employee work performance variables as mediators of the effects of internal/external fit.

In addition to the uncertainty of the correct method of conceptualizing/operationalizing external fit per se, and the uncertainty of the correct conceptualization of strategy, Wright and Sherman also point out that the way the HRM practices themselves have been measured may have contributed to the scarce evidence of the "fit-oriented approaches", in particular in terms of interaction effects. Wright and Sherman call for a much more detailed breakdown of measurements (1999, p. 69). Also Becker and Huselid call for more direct measures of the properties of external fit.

"The researcher needs to measure the actual extent to which the HRM system is embedded in the firm's operations in a way that is appropriate for that particular firm's strategic goals" (1998, p. 66).

This is also pointed out in Becker and Gerhardt (1996, p. 795) and many others as reviewed in the conceptual chapter above. In addition to the potential problems of misspecification of the HRM practices themselves in most of the earlier studies none of them, except Becker and Huselid (1998b), have made efforts to identify the implementational aspects of strategic fit. This deficiency is largely due to the problematic formal operationalizations of HRM practices (Truss and Gratton, 1994).

Wright and Sherman argue that the way HRM practices have been measured

"may account for why researchers are increasingly concluding that universalistic approaches to the relationship between HR practices and firm performance find more support than fit oriented approaches" (1999, p. 69).

However, as already noted, the conclusions about universalistic effects may also be due to simultaneity biases. Further, the way HRM practices have been measured may also have led to under-identification of universalistic effects because the universally



"correct" form of HRM practices may have been badly conceptualized/operationalized (ibid., p. 69). These points are equivalent to the critique offered by Ferris et al. (1999, p. 393) which we reviewed in section 3.4.

With our measures, both of external/internal fit as well as of the general sophistication of the HRM system as loosely and performatively defined gestalts, we arguably provide one way of avoiding such problems of misspecification. However, our way of defining HRM makes us look explicitly for universal strategic soft HRM effects rather than identifying the detailed potential criteria for effective HRM practices with reference to different strategies (see ibid., pp. 68-69).

In summary, by using performative operationalizations of the HRM system and strategic fit and by employing a mediational model we try (1) to avoid the problems inherent in the use of generic categories of strategy, (2) to avoid misspecifications of the "correct" form of HRM practices as well as (3) to capture the mechanisms of (4) an implemented strategic fit in terms of realized "HR interventions" (Wright and Sherman, 1999, p. 55).

Our explicit measure of internal/external fit as loosely and performatively defined gestalts is intended to tie all the individual HRM practices directly to their perceived actual contribution to competences, attitudes and behaviors needed to achieve strategic business goals<sup>348</sup>. However, a clear weakness is that the HRM practices whose strategic fit we try to capture are not identical to the practices included in our HRM system construct. In distinction to the latter, the construct of strategic fit also includes the phenomena of employee involvement and autonomy. In addition, it excludes employment security and general benefits simply because the latter's relevance in terms of strategic fit seems even more difficult to judge than the relevance of the other HRM practices<sup>349</sup>. The items related to the individual practices' strategic fit are measured by perceptions of managers in superior positions whereas the general employees answered the questions measuring the general perceived sophistication of the HRM practices. Our **construct of internal/external fit** as loosely defined gestalts is an additive composite score of the items (considered as causal rather than reflective) of internal/external fit. The Likert scale items were developed by us and were:

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<sup>348</sup> As also noted by Peck this measure of external fit should at the same time capture internal fit (or as we argued earlier, any relevant internal fit). "If each functional area is linked with the overall strategy then one assumes that the practices as a whole are relatively consistent" (Peck, 1994, p. 717).

<sup>349</sup> The difficulty of judging strategic fit is also indicated by the fact that the general employees' judgements seem to differ substantially from the judgements of the superiors in that the correlation between these judgements was only 0.13 and the significance of this correlation only 0.11 (two-tailed test). The general employees answered questions related to how well the HRM practices supported attitudes, competencies and behaviors demanded by the organization (Appendix 2, questions number 137a-h). As shown below the superiors answered somewhat different questions concerning strategic fit. In any case, for the analyses we made the judgement that superiors should be better able to judge explicit strategic fit and thus used their answers for creating our construct of strategic fit. However, here we have a clear instance of a possible problem of both validity and reliability (compare the debate between Gerhart et al. (2000a; 2000b) and Huselid and Becker (2000)).

Think about the kind of employee behavior, competence and attitudes the company considers important for the achievement of its strategic business goals. The following practices in your company support these kinds of employee characteristics:

- the kind of training and development programs the company provides consultants
- [the way the company involves its consultants in more general planning and decision making concerning internal company issues]
- the criteria for determining the consultants' bonus pay (or other additions to their base pay)
- the content of the consultant's selection processes
- [the way the company allows its consultants autonomy in doing their job]
- the content of the consultant's performance appraisals
- the content of company internal communication and information sharing
- the content of the consultant's socialization processes at the beginning of their employments

### 8.3.2 HRM

Clearly, one of the great challenges in HRM research is to develop appropriate *measures of the HRM practices* (Huselid, 1995, p.645; Wright and Sherman, 1999, p. 68). Also the question of the proper *HRM system construct* is open to debate (Becker and Huselid, 1998, pp. 63-64). In addition to these issues, however, the problem of *different included HRM practices* (Dyer and Reeves, 1995) continue to burden also the latest evidence in HRM research. We will discuss these issues in turn below.

#### 8.3.2.1 The HRM system

To the problem of the specification of the correct number and identity of HRM practices to be included in an HRM system we have no clear solution (compare Dyer and Reeves, 1995). We have tried to include a set of generic practices which should cover the most central HRM areas exhibited in the conceptual literature and empirical work so far. The HRM practices we have directly or indirectly included in the model were listed in section 1.3. This list is still somewhat arbitrary and might depend on the kind of organizations we study. Becker and Huselid argue that it is ultimately an empirical issue which practices to include (1998, p. 76). We feel however that it is an important theoretical question which of course has to be settled empirically. Currently research in HRM is largely involved in an exploratory phase regarding this issue.

We have excluded some practices or policies which have often been included in an HRM construct, e.g. *quality circles*. To the extent that such activities represent forms of involvement including a sense of self-determination and meaningfulness, the concept of empowerment should clearly reflect the existence of anything like quality circles. However, explicit quality circles are arguably not very prevalent in the kind of knowledge intensive contexts represented in our population. We argue that at least in a knowledge intensive, project-work oriented context such as our sample, the dimensions of involvement and self-determination should largely be informal consequences of the broad application of sophistication of the basic HRM practices included in our model.

In addition to aspects of employee involvement we argue that autonomy (which is related to job design) is an important characteristic of strategic soft HRM. However also this aspect is, as an element of psychological empowerment, conceptualized as an outcome of the sophistication of the other generic HRM activities. We thus argue that at least in knowledge intensive contexts, where the tasks per se would seem to allow

for relatively large autonomy, also perceived autonomy should be an informal effect of the 'basic' HRM practices.

To the extent that autonomy and involvement are formally organized and promoted, the other HRM practices are arguably prerequisites for their meaningful functioning. Although the simple provision of autonomy and possibilities for involvement should influence motivation and even competence at least in the long run, autonomy and involvement without additional motivation and competence would seem to be of lesser relevance both for individuals and organizations. In addition, to the extent that we would posit autonomy and involvement (as pursued by job design) as part of the independent HRM system variable we would clearly introduce a tautological element in the model with reference to the relationship between HRM and psychological empowerment. We prefer to analyze the extent to which the other HRM practices can explain psychological empowerment assuming that job design is fairly well controlled for by our sample. On average, the organizations we study do not have very classical job designs. Most often the consultants work in some sort of project oriented teams. We simply assume that job designs which might affect our outcome variables are fairly similar across the studied organizations and do not correlate with the quality of the measured HRM practices.

In general we exclude innovative *organizational designs* (potentially influencing both autonomy and involvement) from our core model and assume that we fairly well control for such aspects by our sample. Nevertheless, a phenomenon related to organization design is the degree of hierarchy in the organization. Pfeffer (1994) argued that a low level of *hierarchy* is an important part of HRM. We include a control variable in terms of the degree to which pay and benefits are determined by hierarchy.

We have not included a variable in terms of *internal promotions* because many of the organizations in our sample are so small that the possibilities for internal promotions will necessarily be fairly limited. In addition, the divergent views of whether such a policy belongs to a progressive HRM approach speaks for its exclusion (Becker and Huseldi, 1996, p. 784). Instead we include a control variable accounting for employees' perceived possibilities to gain partner status. Such perceptions are likely to affect both employee attitudes, the employee's opinions on organizational practices as well as the treatment of employees by managers and colleagues.

We have also excluded an explicit measure of *grievance procedures* from our HRM system construct. However, to the extent that grievance procedures represents aspects of justice we have control variables comprising aspects of distributive, interactional and procedural justice. We have argued that these should not be included in a HRM theory of performance although we do include them as controls because they may clearly influence most of our outcome variables<sup>350</sup>.

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<sup>350</sup> Clearly justice related constructs could however also be used as outcome variables e.g. in order to test whether HRM policies which potentially give rise to performance effects simultaneously tend to be detrimental to aspects of perceived justice within organizations. There does however not seem to be any a priori reasons to believe in such effects.

*HRM planning* processes have also been left out. Our HRM measures (as well as the measure of strategic fit) should reflect the relevance of any such planning but we do not include it as an explicit exogenous variable.

*Recruitment processes* (as opposed to selection processes) have also been excluded. The recruitment processes which have been followed prior to the selection of individual employees are something which non-managerial employees might have severe difficulties in evaluating. We simply assume that the quality of recruitment processes prior to the selection process will be reflected in the perceived sophistication of the latter.

As noted in the beginning, some definitions of HRM do not really limit the practices and processes to be included in an HRM construct at all. We have chosen to concentrate on practices which seem to be the most prevalent in earlier empirical studies and in particular the practices put forward in Guest's (1997) conceptual framework. However, a theoretically motivated agreement upon the correct number and identity of practices constituting a HRM system construct is clearly needed.

#### **8.3.2.2 Operationalization of the HRM practices**

As noted the measurement of the HRM practices is a problematical issue (Wright and Sherman, 1999, p. 68). One problem with the operationalization of the HRM practices is that there does not seem to be very wide ranging agreement as to which kinds or versions of individual HRM practices actually are effective. "[S]cholars do not agree on the nature of particular HR practices" (Wright and Sherman, 1999, p. 68). For example Townley (1999) discusses the dubious virtue of performance appraisals. She argues that "the introduction of a formal [performance appraisal] procedure establishes an inherent conflict between a dynamic social institution and an artificial reality. A variation of the 'informal' argument is that appraisals fail to take into consideration the 'political' dimension of organizations" (ibid., p. 290). In relation to most individual HRM practices different researchers defend a wide range of alternative versions. Partly from this state of affairs we have drawn the conclusion that to test the general ideas of HRM theorizing we ought to include measures of more generic intangible properties of these practices. Thus, we have argued for the identification of differences in employee perceptions of general qualities of the HRM practices.

In addition, as we have wanted to operationalize the idea of soft HRM, we have argued that the relevant data would be perceptions of the HRM processes by non-managerial employees which are the "objects" of these practices. The HRM practices are not necessarily well implemented in organizations and there is evidence that what managers say about HRM practices are not necessarily consistent with non-managerial employees' point of view (Truss and Gratton, 1997). We also often here of HRM interventions which are formally introduced and subsequently left to their own with no real impact on daily work (e.g. TQM and BPR, De Cock and Hipkin, pp. 565-566; Legge, 1995, p. 214-218; 225).

We have also reviewed arguments saying that a HRM system should be embedded in the management infrastructure and aligned with business strategies of organizations where all of the elements may exhibit idiosyncratic properties (Becker and Gerhardt, 1996, p. 794). For example, "the integration of training and development with

business strategies and competitive performance...is not unproblematic for a number of practical and conceptual reasons " (Mabey and Salaman, 1995, p. 145). We have argued that from a strategic soft HRM perspective employee perceptions of HRM practices should provide relevant measures of the adequacy of the embeddedness of implementations of HRM practices. See also Ferris et al. (1998, p. 245) on the importance of implementational aspects.

Further, the objective content of these practices are likely to change with management fashions and developments of new versions of individual HRM practices. The dynamics of different versions of objectively defined HRM practices would seem to be difficult to handle appropriately in research on HRM from a systems perspective<sup>351</sup>. In light of the (potentially) fast-changing landscape of "best practices" it would seem that the only possibility to agree on some measures incorporated in a general HRM theory of performance, which could be used in more than one study and over a longer period of time, would be to focus on more abstract properties of the HRM practices. This is yet another reason for our attempt to suggest measures of such properties of the HRM system.

These considerations thus reflect our judgement that phenomenological properties of the HRM practices as conceived by the objects of the practices can be viewed as more justified, consistent and universal proxies for any underlying causes of HRM-related outcomes than formally and managerially identified objective categories of HRM practices. Thus, based on ethical, epistemological and theoretical arguments outlined in more detail in chapter 3, we have developed measures of the HRM practices which should capture their implemented sophistication. Our measures of this sophistication are averages of items related to employee perceptions of the amount, quality and meaningfulness (or relevance) of each individual HRM practice. **The Likert scale items we used to form our construct of HRM** were developed by us and were<sup>352</sup>:

**Selection:**

Your selection<sup>353</sup> procedure included a great variety of selection techniques (such as interviews with many persons, references, work simulation, personality tests, problem solving, etc.).

Your selection process was of high quality.

[Your personality has been of high relevance for your ability to work and function effectively within the company.]

[Your specific competencies acquired before your current employment have been of high relevance for your ability to work and function effectively within the company.]

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<sup>351</sup> De Cock and Hipkin note that "management innovations appear to be quite short-lived" (1997, p. 559). Kessler argues e.g. that "very little work has been conducted on the effectiveness of recent pay schemes" (1995, p. 275). This is arguably a consequence of the dynamics of objectively defined HRM practices. When accumulated, an HRM system index based upon objective definitions of HRM practices may involve considerable misspecification of effective HRM practices.

<sup>352</sup> The quantity has been measured somewhat differently for each practice but we have exploratively tried to use relevant conceptualizations of quantity. In the next chapter we will argue for what kind of HRM *system* construct these items form.

<sup>353</sup> Because of potential lack of knowledge of the English terminology, we included a footnote stating: "By your selection process we mean the process by which the company chose you for employment".

**Socialization:**

During a socialization process<sup>354</sup> at the beginning of your employment you were given a lot of information about the company, its history and its employees.

Your socialization process at the beginning of your employment was of high quality.

Your socialization process at the beginning of your employment was very relevant in enabling you to get to know the company, its values and norms as well as its core people.

**Performance appraisal:**

Many dimensions of your work situation at the company are discussed during your performance appraisals<sup>355</sup> (dimensions such as feedback, goalsetting, training and development needs, career prospects, etc.).

Your performance appraisals are of high quality.

Your current performance appraisals at the company are very meaningful to you.

**Training and development:**

The company has provided you with a large amount of training and development programs.

The training and development programs the company has provided you are of high quality.

The training and development programs the company has provided you are very meaningful to you.

**Compensation:**

Your average level of pay is very satisfactory.

The criteria by which your bonus pay (or other additions to your base pay) is determined are very clearly designed and followed in practice.

The criteria by which your bonus pay (or other additions to your base pay) is currently determined at the company are very meaningful to you.

**General benefits:**

The company offers you a large amount of general benefits and services.

The general benefits and services offered to you are of high quality.

The general benefits and services the company currently provides you are very meaningful to you.

**Communication:**

You receive a large amount of information through company internal communication and information sharing.

The information you receive through company internal communication and information sharing is of high quality.

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<sup>354</sup> Because of potential lack of knowledge of the English terminology, we included a footnote stating: "By socialization process we mean the way, at the beginning of your employment, you were introduced to the company, its values, norms, its history, its employees, etc."

<sup>355</sup> Because of potential lack of knowledge of the English terminology, we included a footnote stating: "By your performance appraisals we mean formal personal discussions you have once, twice or three (etc.) times a year, with your superior or someone else in the company, concerning your performance and/or development needs etc. In case you do not have such formal meetings, please indicate the degree to which you have such informal discussions (and where asked, their quality, meaningfulness etc.)."

The information you currently receive through company internal communication and information sharing is of high relevance for you.

**Employment security:**

You consider your employment security at the company to be very high<sup>356</sup>].

The employment security the company currently provides you with is very meaningful to you.

These operationalizations of the HRM practices may be related to different kinds of underlying HRM practices in different organizational contexts. We argue that these measures offer theoretically meaningful ways of accounting for potential ethically acceptable implementational contingencies, equifinalities, idiosyncracies and flexibilities.

Our conceptualizations and operationalizations seem to be compatible with an attenuated version of the RBV which was argued for above. The conceptualizations and operationalizations allow for a great deal of unexplained and potentially (in a universal sense) inexplicable ambiguity and causal complexity concerning what specific versions of the practices in what specific organizational contexts actually explain the identified properties of the HRM practices. The conceptualizations and operationalizations are simply sensitive to causal ambiguities and social complexities. However, they do not imply that the identified properties (high amount, quality and meaningfulness or relevance) are causally ambiguous or socially complex in the sense of Barney's (1991) definitions, and thus do not imply that the properties of the HRM practices are inimitable.

It can be argued that these measures might not adequately reflect what are truly more effective HRM practices in terms of organizational performance. As noted earlier, we rely on the assumption that HRM practices cannot (in the long run) be effective unless employees perceive them to be well functioning. This seems as a particularly adequate assumption from the point of view of a strategic soft HRM approach. To the extent that we measure only managerial perceptions of HRM practices, we arguably run a greater danger of attributing effects to these practices where there are only correlations simply due to the plausible biased nature of managerial perceptions, in particular perceptions by HRM managers. Thus, we argue that by using our measurement methodology, we can tie any effects more closely to the causal power of the HRM practices<sup>357</sup>.

The evident downside of our measures is that they do not provide information about any objective features of the individual HRM practices, only intangible properties. In this study it is the respondents who evaluate the extent to which the HRM practices are characterized by the properties defined as relevant by us.

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<sup>356</sup> We conceived this as reflecting both "amount" and "quality" of employment security.

<sup>357</sup> Clearly also employee perceptions of the HRM practices can be biased due to a host of reasons. Therefore we include a set of control variables in order to diminish such biases.

Thus, there are arguable advantages as well as disadvantages with our measures. We feel however that these measures at least offer important complements to the type of measures used in most earlier research.

### 8.3.2.3 The HRM system construct

Huselid (1995) was the first, according to Becker and Huselid, to try to identify "an underlying set of dimensions for the HRM system" (1998b, p.6)<sup>358</sup>. However, the factor structure was conceptually somewhat ambiguous. In addition, the independent effects of the two factors identified by them were also statistically ambiguous (Huselid and Becker, 1996, p. 413). In their later analysis the factor analyses approach has been omitted and Huselid and Becker have confined themselves to the use of total HRM system indexes justified with Cronbach's alpha (Huselid and Becker, 1996; Becker and Huselid, 1998b<sup>359</sup>).

MacDuffie (1995) offers the following argument (echoed by Becker and Huselid, 1998, pp. 73-74):

"Factor analysis is best suited to identifying the interrelationships among a set of items in a scale, all designed to measure the same construct. It is less appropriate for assessing a "bundle", which is not a scale but an index...consisting of a set of interrelated variables, each of which represents a different construct" (MacDuffie, 1995, p. 204).

MacDuffie tried a factor analysis but abandoned it as "not readily interpretable". He argued that the "factors were not used, since the indices can be more readily justified conceptually" (ibid., p. 210)<sup>360</sup>. Becker and Huselid identified the problem with factor analyses as the fact that

"not all of the policies that might theoretically be expected to be part of a system that affects firm performance necessarily load on a specific factor" (Becker and Huselid, 1998, p. 73).

If all the "theoretically expected" items do not load on a specific common factor there are two possibilities. (1) The theory or construct is misspecified in that all the items do not reflect one construct whose relations to other variables can be analyzed, or (2) the items are not reflective indicators of the construct at all. We will try to justify the latter conclusion below.

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<sup>358</sup> In different ways Youndt et al. (1996), Delery and Doty, (1996), Ichniowski et al. (1997) have identified dimensions of HRM systems. However, their dimensions have represented different kinds of HRM systems. MacDuffie (1995) identified two dimensions (work systems and HRM policies) of one and the same HRM system. However, he used primarily conceptual rather than statistical means to distinguish them. Huselid (1995) on the other hand identified two dimensions of one and the same HRM system using exploratory factor analysis.

<sup>359</sup> Below we will reflect upon an alternative conceptualization in terms of the cluster analytic approach as developed by Becker and Huselid (1998b).

<sup>360</sup> In his study MacDuffie validated his index(es) by Cronbach's alpha scores.



Simply justifying HRM indexes with Cronbach's alpha, which has been the most prevalent form of validation in prior research, still involves the assumption that the HRM practices are reflective indicators of some kind of a latent model construct in terms of the HRM system. "Since the latent construct under the latent model is defined as the commonality among the dimensions, the dimensions of constructs under the latent model have to be correlated" (Law, Wong and Mobley, 1998, p. 747). An alternative might be to view the HRM practices as causal indicators of the HRM system which would then be an aggregate model construct. "[I]n the aggregate model the overall construct is [simply] the mathematical composite formed from the dimensions" (ibid., p. 747). In this case there is no requirement of the correlation of the indicators in order to analyze the relations between the construct and other constructs or variables (ibid., p. 747; Bollen, 1989, p. 223). However,

"[u]nfortunately traditional validity assessments and classical test theory [under which Cronbach's alpha belongs] do not cover cause indicators (Bollen, 1989, p. 222).

Due to necessities of parsimony and/or limitations of the analytical techniques used, while viewing the individual HRM practice items as causal indicators we might still use an index or composite score as an HRM system construct instead of a true aggregate model construct<sup>361</sup>.

Law et al. attempted a general classification of multidimensional constructs and argued

"observed variances of a [multidimensional] variable can be partitioned into four elements: (1) common variances, (2) group variances, (3) specific variances, and (4) random variances...*Under the latent model...*we consider only common variances or covariances shared by all dimensions as true variances of the construct...*Under the aggregate model...*[s]pecific variances and group variances...are also part of the true variance of the construct, and only random variances are considered as error variances...*For the profile model...*depending on the dichotomization criterion, the portion that is considered as true variances...may or may not cover the common variances, group variances, or specific variances of a specific dimension... [italics added].

[M]ultidimensional constructs defined under the three models are *theoretically* different constructs – different because the definition of the true variances of the constructs differ, and we cannot claim that they are only different operationalizations of the *same* construct...The relation between the construct and its dimensions is a necessary element in the definition of a multidimensional construct for at least three reasons: (1) definition of the research question, (2) theoretical parsimony, and (3) relations with other constructs..." (ibid., pp. 747-749).

The importance of a justified conceptualization of the phenomenon of HRM seems clear as with reference to another construct

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<sup>361</sup> From a methodological standpoint, simply analyzing a composite score is still much less satisfactory than including a true item level construct in the analysis. With composite scores the determination of discriminant and convergent validities including the items of the constructs is absent.

"Law and Wong [1999]...have demonstrated the differences in parameter estimates with different specifications of the relations between the dimensions and the overall multidimensional construct" (Law, Wong and Mobley, 1998, p. 750).

What kind of constructs we specify has to be conceptually justified (*ibid.*, p. 752). Law et al. use organizational citizenship behavior as an example and argue that it can "be defined under all three models of multidimensional construct" (*ibid.*, p. 753). The empirical test of the validity of a construct involves minimally that

with the correct specification of the relations between the construct and its dimensions, one should attain acceptable goodness-of-fit indices in the covariance structure analysis" (*ibid.*, p. 753)<sup>362</sup>.

According to Law et al. the theoretical *prima facie* adequacy of constructs should however be justified according to the criteria of relational level and form<sup>363</sup>. The authors argue that these are "exhaustive" criteria producing "mutually exclusive ...models of multidimensional constructs" (*ibid.*, p. 753).

In some cases it is easy to argue for a relational level and a direction of causality between construct and its indicators.

"For instance, suppose that we use race and sex as indicators of exposure to discrimination. Since exposure to discrimination does not change a persons race or sex, these two variables are cause indicators (Bollen, 1989, p. 65).

In many cases it is not easy to identify the direction of causality (e.g. empowerment, organizational citizenship behavior, organizational commitment, organizational, leader and coworker support, distributive, procedural and interactional justice etc). Deciding on the causal direction between constructs and their indicators is in fact arguably in many cases impossible. Bollen asks us to

"assume that the latent variable is self-esteem, and we ask the person to indicate his or her agreement with the statement: 'I feel that I am as good as the next person'. As a persons self-esteem increase we would expect the

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<sup>362</sup> Law et al. also suggest that "under a correct definition...the construct should have expected relations with other constructs in its nomological network in a criterion validation sense" (*ibid.*, p. 753). This formulation seems problematic as the position in a nomological network is an empirical question which should at least partly be settled independently of the definition of the construct. It may be that although we have an as relevant and correct specification of a construct as possible it may still not have the expected nomological relations. Then the model is simply not correct while the specification of the construct may be correct but unfruitful.

<sup>363</sup> Relational level concerns the question of whether "the multidimensional construct exist at the same level as its dimensions" (*ibid.*, p. 743) or whether each dimension is a different manifestation or realization of the construct such that the multidimensional construct is "a higher-order abstraction underlying its dimensions" (*ibid.*, p. 742). In the latter case the direction of causality is according to Law et al. from the construct to the indicators (*ibid.*, p. 747). Relational form concerns constructs whose dimensions exist at the same level as the construct itself and the question is: "Can the dimensions be algebraically combined to form an overall representation of the construct" (*ibid.*, p. 743). If yes, then we have an aggregate model construct. If no, then we have a profile model construct (*ibid.*, p. 743).

agreement with the statement to increase, though his or her response has little influence on the latent construct" (1989, p. 65).

Bollen argues that in this case the direction of causality is clearly from the latent construct to the indicator. However, to the extent that this is a good indicator it seems to us that we could just as well argue that the direction of causality is the reverse. The more one feels to be "as good as the next person", the better self-esteem it will lead to. The problem is that we have no way to identify self-esteem apart from the indicators of it. Thus it seems to us that we cannot know what the direction of causality "truly" is. The same seems to be true of the above mentioned intermediate constructs included in our model.

We would argue that less than a question of causal direction between the construct and its dimensions the criteria of evaluation should be what variance in our construct our theory indicate that is important. With these limitations we can agree with Law et al. (1998).

"Whether one should use the factor or composite view of multidimensional constructs should be theory driven" (1999, p. 156)<sup>364</sup>.

In most research on the influence of HRM systems the norm has been to include all variances (error, specific, group and common) of the construct of HRM in the analyses<sup>365</sup>.

In some distinction to most prior research Becker and Huselid (1998b) used a cluster analysis to order their data<sup>366</sup>. In general, a cluster analytic technique, producing a construct under the profile model, seems theoretically meaningful to the extent that we want to analyze the differential effects of different empirically determined HRM-related clusters. In Becker and Huselid (1998b) this concerns combinations of a measure of HRM system utilization on the one hand and a measure of alignment with strategy and organizational logic on the other hand. Becker and Huselid argue that

"[i]n contrast to factor analyses, which focuses on commonalities across individual practices, the emphasis in cluster analysis is on identifying commonalities across entire HRM strategies" (1998b, p. 8).

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<sup>364</sup> By "composite view of multidimensional constructs" Law and Wong refer to aggregate model constructs and not composites in terms of additive indexes.

<sup>365</sup> Although we will argue that our intermediate attitudinal variables are best modelled as latent model constructs, these will be used only in our structural equation analyses while we will use composite scores of the items related to these variables in the regression analyses. Thus, strictly speaking these two analyses utilize "theoretically different constructs" (Law et al., 1998, p. 749).

<sup>366</sup> Becker and Huselid (1998b) are the only ones to date who have analyzed differences in the relationships between different HRM related clusters of organizations and outcome variables incorporating at least some control variables. As the reader is not informed about the use of any "dichotomization criterion" (Law, Wong and Mobley, 1998, pp. 748-749) we assume that Becker and Huselid in their analyses included all variances of their items, i.e. error, specific, group and common variance. This would seem to be the rule in general and in particular when utilizing cluster analysis.

They also argue that cluster analysis has the advantage of allowing a test for complementarities without imposing

“any *a priori* constraints on the nature of either the *internal* bundle of elements within each strategy or *external mix* of...the overall HRM strategy” (Becker and Huselid, 1998b, p. 12).

Thus Becker and Huselid argue that through cluster analysis we can analyze outcomes of differences in emphasis on different empirically derived HRM profiles (or strategies) while through factor analyses we can analyze the effect of differences in one HRM system.

As we believe that the possibility of any robust HRM effects on organizational performance will depend on the investment in the whole system (rather than different parts of it) the cluster analytic technique seems less relevant. As indicated, the evidence provided by Becker and Huselid in terms of the superiority of the “High Performance Cluster” offers some justification for this assumption. As already noted, we have gone another route in allowing for the relevance of different equifinalities, idiosyncracies including strategic alignments, and flexibilities. Thus we do not divide organizations according to different profiles of HRM investments but rather according to the general sophistication of a holistic HRM system or architecture. The question is now, what variance in such a phenomenon is the theoretically appropriate, i.e. what kind of construct is appropriate for such a phenomenon.

We cannot say that an entity in terms of the HRM system causes the (perceptions of individual) HRM practices (Law, Wong and Mobley, 1998, p. 745). Saying this would imply that the individual HRM practices completely derive their relevant meaning from the system of HRM practices and that each HRM practice “is a different manifestation or realization of the [system] construct” (ibid., p. 742). The fact is that according to the hypothesis of (strategic soft) HRM the meaning of the HRM practices (as well as their effectiveness) is only partly constituted by their common variance (related to their internal/external fit). A construct of the HRM system should capture the meaning of the HRM practices which is due both to unique factors (or unique variances) of the HRM practices as well as all forms of relevant internal/external integration (group and common variances) compatible with strategic soft HRM. Thus according to Law et al.’s criteria of relational level (causal direction), it would be wrong to treat the HRM system variable as a latent model (factor) construct where

“only common variances or covariances shared by all facets are considered as the true variance of the construct. Variances specific to one facet, covariances shared by some facets only, and random variances are treated as error variances in the factor model” (Law and Wong, 1999, p. 147).

Instead, we would argue that the sophistication of the HRM system is a product of the sophistication of each HRM practice. Thus, an organization applies many differently sophisticated HRM practices which lead to or which all contribute to (the experience of) a sophisticated HRM system. This argumentation would lead us to conclude that the HRM construct should be conceptualized under the composite view (as an aggregate model). In an analogous fashion,

"Locke (1969; 330) clearly stated that a job is not an entity but an abstraction referring to a combination of facets. Since a job is not perceived or experienced as an overall entity, it cannot initially be evaluated as a single unit. In other words, the evaluation of different job facets will causally lead to an overall job satisfaction evaluation, but not vice versa" (Law and Wong, 1999, p. 147).

Under this view an HRM system construct would have the following properties:

"Variances specific to one facet or covariances shared by some facets are...part of the true variance of the construct. As a result only random variances are considered as error variances" (Law and Wong, 1999, p. 147).

Thus, we argue that unique variances, group variances as well as common variances are of interests in HRM research<sup>367</sup>. These are the variances that we would expect to influence organizational phenomena and which should thus be incorporated in an HRM theory of organizational performance.

The fact is that modelling indicators as causal in a true aggregate model construct as exemplified by Law and Wong (1999) will often affect the construct by way of multicollinearity problems. Law and Wong acknowledge this (*ibid.*, pp. 157-158), but they do not discuss the possibility that it is this very property which largely affects the different results achieved when they modelled their focal construct based on the aggregate model and latent model respectively. Thus, because of such likely problems of multicollinearity we argue that none of the three multidimensional constructs identified by Law et al. (1998) are straightforward as a conceptualization of the HRM system. There is thus potentially an unremovable problem of creating a HRM system construct which would capture the HRM system level but at the same time be sensitive to distinct degrees of importance of different constituent HRM practices. Although we argue that researchers should pursue aggregate model constructs of the HRM system, in this thesis we will follow the "extant practice" (Becker and Huselid, 1998b, p. 6) in the HRM literature.

**Operationalization of the HRM system construct.** Consequently, we operationalize the HRM system construct by forming an index of the sophistication of the HRM system by first averaging all the items related to the respective 8 HRM practices (see section 8.3.2.1 above) and subsequently averaging also the resulting 8 variables for each of the HRM practices, in effect thus averaging all the items for all the above HRM practices. Apart from the questionable nature of this ("extant") practice, also the problem of measurement errors remains with reference to our variables<sup>368</sup>.

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<sup>367</sup> This is not least the case because there are "deadly combinations" (Becker et al., 1997, p. 43) of the HRM practices. Our operationalizations together with a system variable accounting also for unique variances of the parts of the HRM system should be sensitive to such combinations.

<sup>368</sup> "Measurement error in the independent variables of interest is ubiquitous in economic and organizational research. Typically, it is either ignored or the researcher is able to make a reasonable assumption that, relative to the total variance of the measure, the impact of measurement error is modest" (Huselid and Becker, 1996, p. 405). The issue of measurement errors is almost not at all dealt with in HRM research (either concerning independent or other variables). Researchers have simply been too busy trying to suggest different ways to measure HRM practices and HRM systems. As noted

It has been argued that one advantage with the index measure is that there are multiple ways to increase the value of the index thus allowing for equifinality (Becker and Huselid, 1998b, p.6; Becker and Huselid, 1998, p. 64). Also a cluster analytic conceptualization would allow for equifinality while a true aggregate model construct as outlined by Law and Wong (1998) would not.

In any case the concept of equifinality does not seem to have a very specific meaning in HRM research. At least it would seem that equifinality can exist in different dimensions. In which dimensions we *account* for its relevance depends both on our operationalizations of the individual HRM practices as well as on the chosen HRM system variable.

Some general equifinalities seem more obvious than others, e.g. less training and development could perhaps in principle be offset by more investment in selection processes, although this has not been shown to be an empirical fact. Nevertheless, a priori it would seem that by doing both any effects would increase. Thus there seem at least to be no ultimate equifinality on this dimension. Quite in accordance with this an HRM index allows for some “intermediate” equifinality while implying that the most effective HRM strategy is always to invest in all the HRM practices to a maximum degree. This way an index is maximized

The equifinalities accounted for by e.g. Huselid's (1995), Huselid and Becker's (1996) and Becker and Huselid's (1998b) operationalizations of the HRM practices allow for combinations of two forms of intermediate equifinality. The first concerns different combinations of formally specified HRM practices on average affecting the same proportion of similar groups of employees. The second concerns the same combinations of the HRM practices on average affecting the same proportion but different groups or categories of employees. Delery and Doty's (1996) universal configurational operationalizations allowed for intermediate equifinality with reference to the extent of the internal fit of formal qualities of individual HRM practices affecting one and the same category of employees. In addition, their three ideal type employment systems configurational approaches allowed ultimate equifinalities with reference to the closeness to any of the three ideal types. Finally, Delery and Doty's (1996) contingency based configurational approaches also allowed for ultimate equifinalities with reference to a continuum of combinations of strategies and HRM practices.

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by Wright and Sherman there is considerable confusion as to the proper scales and criterions related to the measurement of HRM (1999, p. 68). That measurement errors can have serious consequences for structural and regression coefficients is clear (Bollen, 1989, p. 156). In order to use Cronbach's Alphas or factor analyses as reliability tests researchers would have to use several measures of each HRM practices, in fact of one and the same dimension of each HRM practice. In our case e.g. quantity, quality and relevance cannot be said to measure the same thing or the same dimension of each HRM practice. Researchers could also test intrarater and/or interrater reliability of indexes and items by test-retest methods (Huselid and Becker, 1996, p. 415; Becker and Gerhardt, 1996, p. 795). This is seldom done but there are some indications that inter-rater reliabilities concerning raters from different hierarchical positions are far from good (Wright and Sherman, 1999, p. 64). This makes it all the more important to theoretically argue for the relevant raters of the HRM practices as well as to empirically explore consequences of ratings by different categories of employees. After the writing of this thesis we have noticed that the debate concerning these issues is escalating (see Gerhart, Wright, McMahan and Snell, 2000a, 2000b as well as Huselid and Becker, 2000).

There are however also other dimensions of potential equifinalities. Underlying formal HRM practices and their more specific designs and implementations can probably exhibit some ultimate equifinality with reference to their perceived amount, quality and relevance. There is probably no contextually independent one best version or implementation of each HRM practice or combinations of them. However, any formal operationalizations simply assume that the more specific designs and implementations of the practices do not matter. They thus *assume* that specific designs and implementations exhibit perfect equifinality. This seems inadequate.

In addition to accounting for equifinality, operationalizations of the HRM practices should also in some way take into consideration the rather undeveloped idea of idiosyncrasy discussed earlier (see Becker and Gerhardt, 1996, pp. 787-788; Becker et al., 1997, p. 41; Becker and Huselid, 1998b, p. 6). Formally identified HRM practices (compounded into an HRM system variable ) cannot account for the relevance of any idiosyncrasy per se. Thus e.g. Becker and Huselid's (1998b) HRM system variable can only account for the differential consequences of having applied more of the HRM practices more or less widely. On the other hand, their perceptual Implementation Alignment variable can account for the relevance of idiosyncracies, as well as implementational equifinalities<sup>369</sup>.

Equifinality and idiosyncrasy both refer to differences in individual organizational applications of HRM. But they actually argue for quite different outcomes. The point of view of equifinality claims that there are many ways to combine and apply practices which lead to the *same* result. The point of view of idiosyncrasy claims that it is differences in these combinations and applications which can explain *differences* in (sustained) outcomes. These are not incompatible points of views. We can conceive of the co-existence of some equifinalities and some idiosyncracies. At least at this stage of knowledge development we agree that operationalizations of a general system level HRM theory of performance should account, in a multitude of ways, for the potential relevance of both.

Thus there may be two organizations which have invested identically in formal HRM practices but one of them has achieved better alignment due to some idiosyncratic features of its strategy and/or some other feature of its internal or external context. Here the theory would postulate performance differences due to idiosyncracies.

There may also be two organizations which on average have invested equally widely and/or with equal average sophistication in the HRM practices but in different ways. Both of them may on average have achieved an equally good contextual alignment and specific strategic fit. Here the theory would postulate equifinality at the level of HRM practices and equifinality with reference to contextual fit. In this case the theory would postulate no performance differences.

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<sup>369</sup> Becker and Huselid's Implementation Alignment variable (largely) accounts for idiosyncracies in terms of the effectiveness of the practices. This effectiveness might be related to strategic fit and/or it might be related to other contextual elements of the organizations or the organizational logics. However, as already noted in connection to the review of earlier empirical research, their variable taps the effectiveness in a very direct way which would seem to increase the likelihood of biases.

There may be organizations which on average have achieved an equally good strategic fit with reference to the content of the HRM practices, but with differences in the average extent of application and/or quality and/or meaningfulness of the HRM practices which is due to something else than strategic fit. Here the theory would postulate equifinalities with reference to (idiosyncratic forms of) fit but differences (and perhaps also idiosyncracies) at the level of practices and thus performance differences. This possibility is an indication of the fact that the degree of strategic (and larger contextual) fit may not be the only source of the influence of HRM practices<sup>370</sup>.

In summary, in our conceptualization and operationalization of the HRM practices there can thus be idiosyncracies and equifinalities both with reference to strategic fit and with reference to other elements of the organizational context (including implementational aspects). Our variable explicitly measuring strategic fit is intended to identify elements that are conceived to be of strategic importance in distinction to our HRM system variable intended to capture a more undifferentiated general contextual fit and general sophistication.

Thus, in our understanding idiosyncrasy refers to differential performance effects with reference both to an undefined locally identified contextual fit as well as to a more specific undefined locally identified explicit strategic fit. Equifinality refers both to the fact that there may be many different ways to achieve these forms of fit as well as to the fact that different HRM systems may have equal (equifinal) performance effects through some more general mechanisms. However, neither we nor e.g. Becker and

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<sup>370</sup> Whether this is a logical consequence of the theory (and most operationalizations to date) depends on what we mean by strategic fit and what other potential mechanisms of the effects of HRM practices we can argue for. We could argue that any effects HRM is ever going to have depend on the strategic fit of the practices. Thus, e.g. employment security and extensive training and compensation could be claimed to be of no use if it is not strategically important to generally motivate employees (to stay with the company, to induce trust in the employment relationship, to learn something new). On the other hand, we could argue that HRM in general has positive intermediate effects independent of strategy which are likely to influence also organizational performance. But what would these be? The general application of internally consistent practices (regardless of their strategic fit) might have universal motivational effects and all kinds of indirect effects in terms of the atmosphere in the workplace. It is not inconceivable that there are such general mechanisms in addition to any form of strategic fit. This is the kernel of the debate concerning universalistic versus contingency based HRM theorizations. In this thesis we have argued that it may well be the case that neither simply internally coherent (formal) HRM practices nor formally identified forms of fit translate into performance effects (see section 3.4). Thus, our operationalizations of the HRM practices are designed to holistically incorporate the elements of (idiosyncratic) and implemented strategic and/or more general contextual fit. Our explicit variable of strategic fit in principle allows us to analyze the role of this component in as well as extract it from the sophistication of the HRM system. By using variables which do not permit us to make a clear distinction between the HRM practices "themselves" and their (idiosyncratic) larger contextual fit our intention is to allow for (but not to test) the possibility that these properties of the HRM practices may be necessary but perhaps not sufficient for the causal effectiveness of the HRM system. Regardless of whether our conceptualization/operationalization leads to successful predictions and can also otherwise be deemed acceptable, as noted earlier, HRM theorizing clearly confronts a big challenge in spelling out and agreeing upon a causal logic of potential effects of the HRM practices (Guest, 1997). Our interpretation of the HRM discourse implies that whatever the "distinctiveness" that organization specific HRM systems may consist of, theoretically (and ethically) their effectiveness should be dependent on the HRM architecture or sophistication (the average quantity, quality and relevance of the HRM practices as perceived by general employees).



Huselid (1998b) really explicitly analyze the effects of either equifinalities or idiosyncracies. We simply allow them to play a role related to any hypothesized outcomes of HRM.

We argue that our HRM system variable (as explicated in sections 8.3.2.1 and 8.3.2.2) in the form of an additive composite score of our items is conceptually motivated in that it

- (1) captures HRM at both the levels of individual practices and the common system,
- (2) accounts for variation at the level of implementation,
- (3) incorporates perceived relevant forms of embeddedness in the management infrastructure including the potential influence of internal/external fit,
- (4) takes into consideration the point of view of employees,
- (5) and thus captures the levels and dimensions where causality of strategic soft HRM ultimately should reside. Thus, we argue that our HRM system variable should show some, albeit undifferentiated, sensitivity to all the different levels of HRM practices identified by Becker and Gerhardt in terms of system architecture, policy alternatives and practice process (1996, p. 786).

### 8.3.3 The construct of psychological empowerment

We will essentially use the measurement instrument for psychological empowerment introduced and tentatively validated by Spreitzer (1995). As the dimensional items seemed to be very similar, verging on being identical as to their content, we used a shortened version of Spreitzer's (1995) measures of psychological empowerment. We dropped one of the three items for each dimension from the questionnaire. The Likert scale items used were

**Meaning:**

The work you do is very meaningful to you  
Your job activities are personally important to you

**Competence:**

You are confident about your ability to do your job  
You are self-assured about your capabilities to perform your work activities

**Self-Determination**

You have significant autonomy in determining how you do your job  
You have considerable opportunity for independence and freedom in how you do your job

**Impact:**

Your impact on what happens in your department is large  
You have significant influence over what happens in your department

Spreitzer argues that the four dimensions of her construct

“combine additively to create an overall construct of psychological empowerment. In other words, the lack of any single dimension will deflate, though not completely eliminate, the overall degree of felt empowerment” (ibid., p. 1444).

This would imply that we conceptualize the construct under the aggregate model or composite view (Law, Wong and Mobley, 1998; Law and Wong, 1999). Thus Spreitzer's own argumentation would indicate that the factor analysis she performs is not theoretically justified. In some distinction Torbiorn argues that the dimensions of empowerment can be taken

“to form necessary, but each of them, in itself, insufficient conditions [for high performance], i.e. performance is assumed to suffer to some extent if not all prerequisites are met” (Torbiorn, 1997a, p. 3).

This is still somewhat ambiguous. He emphasizes that “[p]erformance, however, would not be “cancelled” if all conditions were not met. Rather, the quality or amount of it would suffer” (ibid., p. 5). This still seems largely compatible with Spreitzer's understanding. However, Torbiorn also more explicitly argues that

“[t]he basic assumption of our model holds that performance would be the result of a gestalt containing all prerequisites in combination, and this in a way so that the more the prerequisites within such a gestalt are satisfied the better the performance” (ibid., p. 5)<sup>371</sup>.

In line with this we argue that a construct of empowerment where we account for the common variance of the facets should be the most robust and theoretically motivated predictor of work performance. Thus we will attempt to use a latent model construct in our structural equation analyses<sup>372</sup>. Based upon our validation analyses (below) we will however in our multiple regression analyses also use a composite score of the items of the construct of psychological empowerment.

### 8.3.4 The construct of organizational commitment

We have essentially used The British Organizational Commitment Scale (BOCS) which includes the three components of identification, involvement and loyalty discussed in section 7.2.4.2. However based on evidence for the adequacy of a shortened version of this (Fenton et al., 1997) we will use such a version. The Likert scale items we used were:

**Involvement:**

In your work you like to feel you are making some effort not just for yourself but for the organization as well.

To know your own work had made a contribution to the good of your organization would please you.

**Identification:**

You are quite proud to tell people that you work for this organization.

You feel yourself to be part of the organization.

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<sup>371</sup> In apparent congruence with this, Thomas and Velthouse argue that self-efficacy or competence “is not regarded as sufficient...[for intrinsic task motivation but is in their model] supplemented by [the] three additional task assessments [meaning, choice or self-determination, and impact] (1990, p. 667).

<sup>372</sup> Here the criteria for evaluating the construct is thus not causal direction between construct and dimensions, but rather the variance of theoretical interest (compare the discussion related to the HRM construct above).

**Loyalty:**

Even if your organization were not doing too well financially, you would be reluctant to change to another employer.

You sometimes feel like leaving this employment for good (reverse coded).

Based upon our review of the literature on organizational commitment (above) it is to be expected that these items will produce (at least) two different constructs in terms of affective commitment involving the first two dimensions and continuance commitment involving the third. The dimensionality of the items will be analyzed in chapter 9.

In our structural equation analyses we will conceptualize (both expected forms of) organizational commitment under the latent model (Law, Wong and Mobley, 1998; Law and Wong, 1999). We are interested in HRM's influence on the common variance of the dimensions and items of these expected constructs. In the regression analyses we will use composite scores of the items for the dimensions that can be validated.

### **8.3.5 The construct of organizational citizenship behavior**

Van Dyne and Ang argue plausibly that the ideal measure of organizational citizenship behavior would be provided by responses of peers (and not self-reports nor superior perceptions as has been obtained in most studies) (1997, p. 697). However, we obtained the measures as self-reports and they thus reflect attitudes towards organizational citizenship behavior rather than actual behavior.

The items and dimensions of our OCB construct comprise a mix of Moorman and Blakely's (1995) and Van Dyne et al.'s (1994) items and dimensions. We have included Moorman and Blakely's dimension of '*individual initiative*' (1995, p. 132) which comes fairly close to Van Dyne et al.'s '*advocacy participation*' (Van Dyne et al., 1994, pp. 780-783) simply on the grounds of face validity with reference to our sample as well as with reference to its potential organizational relevance. We have also included Moorman and Blakely's dimension of '*interpersonal helping*' (1995, p. 132) which we found more meaningful than Van Dyne et al.'s related concept of '*social participation*' (Van Dyne et al., 1994, pp. 780-783). We have further included a dimension in terms of '*loyal boosterism*' choosing items both from Moorman and Blakely (1995) and from Van Dyne et al.'s related dimension of '*loyalty*'. Finally we included the dimension of '*functional participation*' based upon Van Dyne et al. (1994).

Of the dimensions identified by either Moorman and Blakely (1995) or Van Dyne et al. (1994) we clearly left out Van Dyne et al.'s items of the OCB dimension '*obedience*' (1994, pp. 780-783). We also left out the related dimension of '*conscientiousness*' used in Niehoff and Moorman (1993, p. 542). We considered the items for these dimensions less meaningful for our empirical objects of research. Further, we left out the dimension of '*personal industry*' used in Moorman and Blakely (1995, p. 132). This dimension covered items of "core" work performance which we wanted to include separately as a potential outcome of HRM and the intermediate attitudinal variables in our model. The dimension of personal industry in Moorman

and Blakely (1995), and our separate work performance construct are closely related<sup>373</sup>. Our employee performance measures are also conceptually linked to what Williams and Anderson differentiate from OCB and conceptualize as intra-role behavior (IRB) (1991, p. 606). However, our variable of employee performance does not capture in-role behaviors per se, rather it is intended to capture the outcomes of such behavior.

In summary, analogously to Moorman, Blakely and Niehoff we thus modified “the original items to create more of a distinction between OCB and in-role behavior” (1998, p. 353). In face of the many conceptualizations and operationalizations also other researchers have chosen items based upon “face validity” in relation to their research questions (Bolon, 1997). We chose items and dimensions for our OCB construct paying attention to general face validity in relation to our empirical objects of research. In addition we chose items e.g. in order to distinguish the concept of organizational behavior from organizational commitment as Van Dyne et al. (1994, p. 781) included items almost identical to some of the items reflecting organizational commitment<sup>374</sup>.

Individual initiative:

You encourage others to try new and more effective ways of doing their job (item from Moorman and Blakely, 1995).

You frequently make creative suggestions to coworkers (item from Van Dyne et al., 1994, p. 781).

[You often motivate others in the company to express opinions (item from Moorman and Blakely, 1995)].

[You encourage hesitant or quiet coworkers to voice their opinions when they otherwise might not speak up (item from Moorman and Blakely, 1995)].

[You frequently communicate to coworkers suggestions on how the group can improve (item from Moorman and Blakely, 1995)]

[For issues that may have serious consequences for the company you express your opinions even if others may disagree (item from Moorman and Blakely, 1995)]

[You make considerable efforts to keep well informed on matters where your opinion might benefit the organization (item from Van Dyne et al., 1994<sup>375</sup>) ].

Interpersonal helping:

You go out of your way to help coworkers with work related problems (item from Moorman and Blakely, 1995).

You are always willing to listen to coworkers' problems and worries<sup>376</sup>.

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<sup>373</sup> It has elsewhere been argued that both the dimensions of 'conscientiousness' and 'personal industry' could probably both better be construed as in-role behaviors (Moorman and Blakely, 1995, p. 130). The same argument would apply to the dimension of 'obedience'.

<sup>374</sup> Although most of these items loaded as theoretically expected in a second order confirmatory factor analysis (below), the items in parentheses were excluded from our structural analyses primarily due to reasons of complexity.

<sup>375</sup> We added "make considerable efforts" to this item because we felt that simply keeping well-informed is more or less obvious for our category of respondents.

<sup>376</sup> This item was developed by us and based on Moorman's (1993, p. 542) "Willingly gives of his/her time to help others who have work related problems".

[You voluntarily help new workers settle into the job (item from Moorman and Blakely, 1995)].

**Loyal boosterism** (items from Van Dyne et al., 1994)<sup>377</sup>.

You emphasize to people outside the organization the positive aspects of working for the organization.

You defend the organization when outsiders criticize it.

[You defend the organization when other employees criticize it].

**Functional participation** (items from Van Dyne et al., 1994, p. 782):

You often have difficulties to co-operate with your colleagues on projects.

You avoid extra duties and responsibilities at work.

[You never complain about changes in the organization<sup>378</sup>.]

With reference to a proper construct of OCB Law, Wong and Mobley argue that

“One can...define OCB as an algebraic function – or simple sum – of the ...dimensions. However, one can also define OCB as the common latent factor underlying these...dimensions...Finally one can identify different profiles of employees’ expression of OCB and use these profiles to represent the multidimensional construct of OCB” (1998, p. 753) “However, there is no discussion in the literature on OCB about the relations between OCB as a multidimensional construct and its...dimensions” (ibid., p. 741).

As with psychological empowerment and organizational citizenship behavior, we argue that regarding the HRM system as an antecedent of OCB, as well as any consequences of OCB, the most robust relations should theoretically exist between a latent model multidimensional construct of OCB and these other variables/constructs. Also Van Dyne et al. argue that “good citizenship behavior is demonstrated by high levels of all [their] three substantive categories of organizational citizenship behavior” (ibid., p. 780). ). In their view OCB should thus be conceptualized as a latent model construct. In our structural equation analyses we will attempt to use a latent model conceptualization of OCB. However, we also use a composite score of the items in our regression analyses.

Although Van Dyne et al. (1994) conceptualize a construct of OCB they make no efforts to corroborate a second order multidimensional construct of some sort. Moorman and Blakely (1995) do not either make an effort to corroborate the adequacy of the talk about a coherent and valid concept of OCB in terms of a second order multidimensional construct. Without showing the actual results of the analyses Williams and Andersson claimed to have identified a second order construct. However, they argue that "because there were only three first-order factors...the second-order construct could not be distinguished from a simple confirmatory factor

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<sup>377</sup> We have used very similar wordings but not the negatively formulated sentences included in Van Dyne et al., 1994, p. 781). Van Dyne et al. (1994) used the label 'loyalty' for this dimension. We feel the nature of this dimension is better reflected in Moorman and Blakely's (1995) corresponding term 'loyal boosterism'. In addition, this label more clearly distinguishes this dimension from the dimension of 'loyalty' (or continuance commitment) included in our construct of organizational commitment.

<sup>378</sup> This item was developed by us as it seemed an interesting aspect of functional participation in a world dominated by change.

analysis model" (1991, p. 613). It is somewhat unclear to us what they mean by "the second-order model replacing the three factor model correlations" (ibid., p. 613). It is not self-evident that first-order factors all load on a second order factor. This is indicated by the fact that in the case of organizational commitment this does not appear to be the case. Thus, there is independent interest in showing the second order factorial properties of the OCB construct<sup>379</sup>.

### 8.3.6 Operationalizations of employee and organizational performance

Our measures of **employee work performance** were taken from/modified based upon Becker et al. (1996, p. 470) and Moorman and Blakely's notion of personal industry (1995, p. 132). We argue that they can be viewed as abstract latent model constructs of employee work performance with reference to our respondents<sup>380</sup>. Respondents were the superiors of the consultants. The Likert scale items were:

The consultant

- often comes up with innovative suggestions for improving your company's products and services
- [is very innovative in producing solutions to client's problems]
- often comes up with innovative solutions to general organizational problems
- is very efficient in his/her work
- always meets or beats deadlines for completing work
- performs his/her duties with unusually few errors
- always produces high quality work

**Organizational performance:** In our population we did not have access to objective financial performance data nor to market values. Thus, all performance characteristics in our study involve subjective measures. There is some (often cited) evidence for moderate to strong positive correlations between perceived and objective organizational performance measures (Dollinger and Golden, 1992; Powell, 1992) cited e.g. by Delaney and Huselid (1996, p. 954). To the extent that objective performance measures themselves are not very correlated, such evidence is however not very comforting. Our subjective perceptual measures are of course liable to all the problems described by Meyer and Gupta (1994) and partly discussed above (section 7.2.5).

Clearly there seem to be no ideal or agreed upon solutions to the problem of organizational performance measures. Nevertheless, our variables are at least partly consistent with "the business model" of performance as described by Meyer and

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<sup>379</sup> Venkatraman argues that "a second-order factor model is merely a parsimonious explanation of the covariation among the first-order factors. Consequently, even if the second-order factor model effectively explains the covariation among first-order factors, the goodness of fit can never exceed that of the first-order factor model" (1989, p. 437).

<sup>380</sup> However, based on our exploratory and confirmatory factor analyses we distinguished two dimensions of employee performance. One is related to the items referring to the quality and efficiency of employee work performance. The other is related to items referring to more organizationally internal innovativity of employees work performance (see validation analyses below).

Gupta (1994). In this study organizational performance was conceptualized as follows.

**Organizational performance / Profitability:** The respondents were the superiors. The one item Likert scale measure of this variable was formulated by us:

During the last two years your consulting company's (if national subsidiary then this unit) profitability has been excellent.

**Organizational performance / Quality:** The respondents were the superiors. We measured this variable with two Likert scale items formulated by us. The exact wordings of these were:

During the last two years your consulting company's (if national subsidiary, then this unit) customers have been very satisfied.

In your consulting market, your company's reputation for quality surpasses major competitors.

**Employee turnover:** The respondents were the superiors. The one Likert scale item measure of this variable was formulated by us:

During the last two years many good consultants have voluntarily left your company to join other employers.

### 8.3.7 Operationalizations of control variables<sup>381</sup>

**Organizational support:** Respondents were the general employees. This construct is, based upon our arguments in the chapter dealing with the HRM system construct, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items for this construct were taken from Eisenberger et al. (1986). We did not include all the items from their measurement instrument but, largely based upon face validity, chose 14 of their 36 items. The exact wording of these Likert scale items are presented below.

The organization would understand a long absence due to your illness.

The organization would fail to understand your absence due to a personal problem (reverse coded).

It would take only a small decrease in your performance for the organization to want to replace you (reverse coded).

The organization would forgive an honest mistake on your part.

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<sup>381</sup> As will be shown in our validation analyses, and as was the case with the OCB construct, we ended up excluding a fair amount of our original items of many of our control variables. Some constructs include items which conceptually closely resemble items of other constructs. In addition, as will be discussed below, in line with most earlier research we had to exclude items also in order to reduce the number of parameter estimates in our structural equation analyses. Instead of simply averaging items we started out with identifying the constructs with all originally included items and then proceeded by including some items which loaded best on each latent construct. Thus we have tried, both in terms of face validity and in terms of validation analyses, to include items which should maximise the convergent and discriminant validities of our constructs. Below we list all the items related to each construct included in our questionnaire. The items in parentheses were later excluded from the structural analyses based on our validation analyses (below).

- The organization strongly considers your goals and values.
- The organization cares about your general satisfaction at work.
- [If the organization could hire someone to replace you at a lower salary it would do so (reverse coded).]
- [The organization disregards your best interests when it makes decisions that affect you (reverse coded).]
- [The organization tries to make your job as interesting as possible.]
- [The organization is willing to help you when you need a personal favor.]
- [The organization takes pride in your accomplishments at work.]
- [If you decide to quit the organization would persuade you to stay.]
- [The organization cares about your opinions.]
- [Help is available from the organization when you have a problem.]

**Leader support:** The respondents were the general employees. This construct is, based upon our arguments in the chapter dealing with the HRM system construct, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items we used for this construct have also been used in Nystedt et al (1995). We translated the questions to English from a questionnaire in Swedish obtained from the first author. We included 5 of the 6 items included in their measurement instrument. These Likert scale items were:

- Your superiors support you in your job in a constructive way.
- Your superiors show great understanding for and considers your requests, need and conditions.
- [You can talk to your superior when you have difficulties at work.]
- [It is difficult to get information from your superiors about issues which are important for doing your job (reverse coded).]
- [Your superiors clarify decisions and provide additional information when requested by you.]

**Co-worker support.** The respondents were the general employees. This construct is, based upon our arguments in the chapter dealing with the HRM system construct, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items we used for this construct have also been used in Nystedt et al (1995). We translated the questions to English from a questionnaire in Swedish obtained from the first author. We included 4 of the 5 items included in this measurement instrument. These Likert scale items were:

- You and your colleagues help each other and support one another.
- You receive good support from your colleagues when things get complicated.
- [You enjoy working with your colleagues.]
- [The professional workgroups to which you belong perform effectively]<sup>382</sup>

**Distributive justice:** The respondents were general employees. This construct is, based upon our arguments in relation to the HRM system construct, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items of this construct were based on Niehoff and Moorman (1993). We included 4 of the 5 items

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<sup>382</sup> Later we realized that this item would in fact seem to be a performance measure of work-teams rather than an item capturing coworker support.



in their measurement instrument. However, we rephrased the questions to explicitly include the comparison to colleagues. The exact wording of the Likert scale items were:

Compared to your colleagues you consider your work load to be quite fair.

Compared to your colleagues you think your level of pay is fair.

Compared to your colleagues, overall the (monetary and non-monetary) rewards you receive are quite fair.

Compared to your colleagues you think that your job responsibilities are fair.

***Procedural justice:*** The respondents were general employees. This construct is, based upon our arguments in relation to the HRM system constructs, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items of this construct were based on Niehoff and Moorman (1993). We included 3 of the 6 items in their measurement instrument. We also rephrased the questions to include a reference to 'superiors' instead of 'general manager' to reflect the fact that many of our respondents work in different project teams under different superiors. The exact wording of the Likert scale items were:

You are allowed to challenge or appeal job decisions made by your superiors.

[Job decisions are made by your superiors in an unbiased manner.]<sup>383</sup>

Your superiors make sure that all employee concerns are heard before job decisions are made.

***Interactional procedural justice:*** The respondents were general employees. This construct is, based upon our arguments in relation to the HRM system constructs, referring to Law et al. (1998), ideally conceptualized as a latent model construct. The items of this construct were based on Niehoff and Moorman (1993). We included 3 of the 9 items in their measurement instrument. We also rephrased the questions to include a reference to 'superiors' instead of 'general manager' to reflect the fact that many of our respondents work in different project teams under different superiors. The exact wording of the Likert scale items were:

When decisions are made about your job, your superiors are sensitive to your personal needs.

[Your superiors offer adequate justification for decisions made about your job.]<sup>384</sup>

When decisions are made about your job, your superiors treat you with respect and dignity.

***Work load:*** The respondents were the general employees. This construct can, based upon our arguments in relation to the HRM system constructs and referring to Law et al. (1998), be conceptualized as a latent model construct. The items we used for this construct have been used in Nystedt et al (1995). We translated the questions to English from a questionnaire in Swedish obtained from the first author. We included 4

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<sup>383</sup> Later we realized that this item in fact seems to measure the outcome of any procedural justice rather than the procedural justice itself. Our validation analyses (below) also favored the exclusion of this item.

<sup>384</sup> We later realized that this item in fact is conceptually indistinguishable from the items related to procedural justice. The low discriminant validity related to this item was also confirmed by our validation analyses below.

of the 5 items included in this measurement instrument. These Likert scale items were:

It often happens that you have to work under great time pressure.

You often have too much to do at work.

You feel physically exhausted after a days work.

Too big demands are put on your performance at work<sup>385</sup>.

***Perceived alternative job opportunities:*** The respondents were the general employees. This construct can, based upon our arguments in relation to the HRM system constructs, referring to Law et al. (1998), be conceptualized as a latent model construct. The items we used for this construct have been used in Nystedt et al (1995). We translated the questions to English from a questionnaire in Swedish obtained from the first author. We used three of the 8 items related to perceived job opportunities outside the current organization which were included in this measurement instrument. One of the items was slightly modified by us. These Likert scale items were:

Your possibilities to receive a similar or better job position at another organization are very good.

There are many attractive job positions which you could seriously apply for at other organizations.

During the last year you have been offered another equally good or better job position at another organization.<sup>386</sup>

***Recent radical perceived improvements in HRM practices.*** We developed items related to all the HRM practices to measure recent radical improvements. The construct includes all the HRM practices included in our HRM system construct except socialization and selection processes which arguably were not able to bias the respondents current answers. In addition, this construct includes recent radical improvements in the involvement and autonomy of the employees. With this variable we wanted to control for HRM-related recent radical improvements which could give rise to "Hawthorne effects" in the perceptions of employees<sup>387</sup>. This control is conceptualized as an aggregate model construct, i.e. the indicators are viewed as causal. We use an additive composite score of the items. The exact wording of the Likert scale items were:

During the last year the company has radically improved its pay policy in a way which affects you.

During the last year the company has radically improved its performance appraisals in a way which affects you.

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<sup>385</sup> This item is later shown to belong to a different construct. There is also conceptually a clearly understandable difference between this item and the other ones.

<sup>386</sup> This item is later shown to belong to another construct. Also conceptually the difference between this item and the other two is clearly understandable.

<sup>387</sup> The meaning of this variable was discussed in the chapter on controls related to psychological empowerment.

During the last year your employer has radically improved the way it involves you in general planning and decision making concerning internal company issues.

During the last year the company has radically improved the way it allows you autonomy in doing your job.

During the last year the company has radically improved its internal communication and information sharing in a way which affects you.

During the last year the company has radically improved its training and development policy in a way which affects you.

During the last year the company has radically improved its policy on general benefits and services in a way which affects you.

During the last year the company has radically improved its policy on employment security in a way which affects you.

During the last year the company has radically reduced the degree to which the level of pay and other benefits among consultants (excluding partners) depend on hierarchical position.

***Perceived organizational image:*** Respondents were the general employees. This was measured with an average of two Likert scale items formulated by us. The exact wordings of these were:

Among professionals in your field of business, the image of your company is superior compared to your competitors.

The customer image of your company is superior compared to your competitors.

***Perceived prospects of organizational performance:*** The respondents were the general employees. The one Likert scale item measure of this variable formulated by us was:

The prospects of your company performance are very good.

***Perceived possibility to gain partner status:*** The respondents were the general employees. The one Likert scale item measure of this variable and formulated by us was:

You have good chances to become a partner in the organization.

We also include the straightforward controls in terms of years of *age* and *tenure*, as well as the *number of prior employers*. We subsequently developed (1-7) Likert scale variables of these items. The principle of translation for these items was to achieve a (close to) normal distribution of observations.

***Organization size.*** This was measured as the number of consultants in the organizations. Respondents were the superiors. We subsequently transformed these numbers into values on a Likert scale (1-5) using the principle of achieving a (close to) normal distribution of observations.

***Perceived competition in market segment:*** Respondents were the superiors. This was measured with one item formulated by us. The exact wording of the Likert scale item was:

On the whole, your consulting company operates in very competitive market segments.

**Business strategy:** Respondents were the superiors. This was measured with one item referring to the extent that the company competes on price. The exact wording of the Likert scale item formulated by us was:

Your company offers lower priced consulting products and services compared to your competitors (reverse coded).

## 8.4 VALIDATION

As noted by Stablein,

"[r]esearch practice does not always live up to prescription...[According to a 1987] survey about two-thirds of published articles reported reliability evidence. A paltry 4,48 % of authors provided validity evidence. The failure to provide validity evidence is extremely important ...it is a failure to document two-way correspondence" (1996, p. 516)<sup>388</sup>.

Stablein views what he calls two-way correspondence of constructs as essential. Two-way correspondence requires a correspondence "between the data and the organizational reality the data represents" (ibid., p. 512), i.e. that the researcher is able "to map back from the symbolic system to the original empirical system of interest" (ibid., p. 513). The notion of two-way correspondence may but does not have to be seen as connected to the notion of "external validity" for which, according to Daft and Levin, quantitative research in general shows less interest (1990, p. 7; see also section 5.3 in this thesis).

It is somewhat unclear what Stablein means by "the original empirical system of interest". We might want to distinguish between correspondence to individuals' perceptions and correspondence to a reality independent of such perceptions. Both are however arguably problematical. In any case, Stablein argues that two-way correspondence necessitates evaluation in terms of convergent and discriminant validity in addition to reliability (1996, p. 516). As we will argue reliability and construct validity are related concepts/measures and only refer to the relations between constructs/composite scores and the items that are used to measure them. Neither reliability nor construct validity can justifiably establish correspondence between an independent organizational reality and the researcher's symbolic system.

Discussions about the correspondence between a researcher's symbolic system and "meanings" of (or relationships between) phenomena completely independent of such a symbolic system exemplify, according to the neo-pragmatism outlined in chapter 2, a generally unfruitful way of talking. In particular, although researchers are able to establish reliability and construct (convergent and discriminant) validity they have only established a partial aggregate form of congruence with the "empirical reality" (most often based upon direct perceptions by human respondents). In principle the meaning attached to any concepts in a researchers quantified symbolic system versus

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<sup>388</sup> Also Cliff argues that the effects on partial correlation analyses of "any lack of reliability or validity in the variables...[i]n many ways...resembles tuberculosis as it occurred a generation or two ago: They are widespread, the consequences are serious, the symptoms are easily overlooked, and most people are unaware of their etiology or treatment" (1987, p. 129).

the (potentially many) meanings attached to, or the relationships between, phenomena in an organizational reality independent of the researcher can still differ.

Ultimately, the justification of a researchers' symbolic system (quantified or not) is not even necessarily dependent on meanings as interpreted by human respondents. A fruitful explanation in some symbolic system may well serve to change elements of respondents' perceptions/structures of meaning. As already noted in chapter 2, human objects of research arguably do not necessarily have any epistemological primacy or privilege although we can at least be said to have a moral duty to try to understand the relationship between any knowledge claim established by empirical science (quantitative or not) and the points of views of (at least) human objects of research (Rorty, 1980, p. 349). However, the old hermeneutical idea that we should be able to map back to a reality as truly conceived by the research objects can arguably in general be viewed as an unfruitful way of talking about what we are doing as social scientists.

In any case, it should be more probable at least that we have a generalizable construct (which still does not mean that it is theoretically fruitful or meaningful) when it exhibits high reliability as well as convergent and discriminant validity in particular when fairly closely related but different constructs are included in the same analysis of validity. Both the measures of reliability and validity used in this thesis are however also dependent on the amount of error variances that the researcher allows to correlate in a confirmatory factor analysis as well as other more or less ad hoc modifications that the researcher introduces into a confirmatory factor model. As both reliability and validity are further dependent on the kind of measurement models in which the researcher includes any constructs, any analysis of construct validity thus appears at the most tentative in nature.

Any type of quantitatively justifiable symbolic system from the point of view of a Rortyan neo-pragmatist (chapter 2) is, in addition to being dependent on reliability and construct validity, also essentially dependent on nomological validity. But even these together cannot establish correspondence. For a neo-pragmatist any form of correspondence is not something that can be differentiated from a well functioning explanation.

Neo-pragmatism would thus suggest that the most justifiable way "to map back from the symbolic system to the original empirical system of interest" (Stablein, 1996, p. 513) is to establish theoretically meaningful empirical relations between one validated construct and other validated constructs in some symbolic system. Such relations is what quantitative research pursues. The fruitfulness and justification for such "back-mapping" is dependent on replications (and potential revisions) by other researchers with reference to similar and different populations. The overall justification of research using quantitative data is further potentially dependent on possible problematical evidence that can be established by e.g. qualitative research methods concerning the nature of, and relationships between, the constructs used in quantitative research (and ideally vice versa). In any case, any quantitative validation of constructs (including nomological relationships) in a symbolic system that a researcher is able to establish is arguably tentative in general, and particularly tentative in the social sciences.

Below we will try to quantitatively test at least some aspects of validity and reliability of our constructs. Exploratory factor analyses including the items of several constructs have, usually in combination with Cronbach's alphas for the factorial items, been used to validate constructs (e.g. Wayne et al., 1996). Bollen notes that the distinction in practice between confirmatory (CFA) and exploratory factor analysis (EFA) tends to be somewhat blurred (Bollen, 1989, p. 228). Nevertheless, when "hypotheses about plausible model structures exists, then exploratory factor analysis can frustrate attempts to test these ideas" (Bollen, 1989, p. 228). The disadvantages of exploratory factor analysis include the facts that

"the technique does not allow the analyst to constrain some of the factor loadings to zero...[and it] does not allow correlated errors of measurement. This is problematic... [e.g. as] measurement errors may correlate because indicators come from the same source, because of response set bias in answering survey questions, or for some other reason. EFA confounds the correlated measurement errors with the latent factors, potentially leading to ambiguous and misleading solutions" (ibid., p. 232).

These are clear dangers with reference to many of the variables used in the analyses below. Thus we have more or less clearly used confirmatory factor analysis to initially validate the constructs. However, before moving on to these validation analyses we will try to explicate the definitions and measures of validity and reliability used as well as our understanding of the meanings of these notions.

#### 8.4.1 Validity

Bollen (1989) reviews different notions of validity. *Content validity* is "a qualitative type of validity where the domain of a concept is made clear and the analyst judges whether the measures fully represents the domain" (Bollen, 1989, p. 185). The qualitative validity-aspects of our HRM and intermediate attitudinal constructs have largely been discussed in the earlier chapters and we simply now assume these to be satisfactory. The same assumption applies to the rest of our variables. *Criterion validity* (ibid., p. 186) is for most variables not an issue here, i.e. it is not even in principle possible to assess it.

Bollen describes some problems with traditional empirical means to measure *construct validity*<sup>389</sup>. According to Bollen the problems include the facts that the traditional measures

"rely on correlations rather than structural coefficients...[and] that they use only observed measures rather than incorporating the latent variables into the analysis" (1989, p. 194).

These and some other disadvantages are overcome by the alternative structural equation definition of construct validity provided by Bollen.

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<sup>389</sup> Construct validity is generally conceived as consisting of trait validity and nomological validity. The latter can be evaluated only by structural analyses of relations between endogenous and exogenous variables/constructs. We return to these analyses below. Trait validity arguably consists of convergent and discriminant validity (Shepherd and Helms, 1995).

“The validity of a measure  $x_i$  of [a latent variable]  $\xi_j$  is the magnitude of the direct structural relation between  $\xi_j$  and  $x_i$ ....[T]he definition of a direct structural effect [or relation] depends on the model so this definition implies that the researcher has an explicit measurement model from which to evaluate validity” (ibid., p. 197)<sup>390</sup>.

As a measure of validity so defined Bollen suggests several possibilities, two of which are the standardized and unstandardized validity coefficients (ibid., pp. 197-200). The former allows comparisons of indicators measured with different scales. Bollen argues that although in general both allow for comparisons of the relative influence of different latent variables on the indicators, the standardized coefficients allow for comparison of “the relative influence” of a latent variable on several indicators (ibid., p. 200). The standardized coefficients are however less useful in comparing different populations (ibid., p. 200). This parallels the advantages/disadvantages of standardized/unstandardized coefficients in regression analyses (ibid., p. 198). However, as Bollen notes, virtually all social science concepts have ambiguous units, including our constructs. Thus, the meaning of the unstandardized coefficients are uncertain (ibid., pp. 198-199). In addition, because all our items in the validation analyses involve 1-7 Likert scales (with the exception of two constructs with 1-5 Likert scale items) there does not seem to be much difference between the two validity coefficients. Thus, we simply use the coefficients generated by LISREL 8.30 on the basis of unstandardized observed items and unstandardized latent variables (Jöreskog and Sörbom, 1996, pp. 339-340).

Explicit criteria for evaluating construct, convergent and discriminant validity so defined are not common. Bollen does not provide any. In fact he does not even explicitly discuss the relation of his structural equation measures of validity and the classical measures of convergent and discriminant validity.

Nevertheless, we can arguably get an indication of our constructs’ validity, including *convergent and discriminant properties* by comparing and assessing the structure and levels of the coefficients in measurement models with acceptable general fit statistics. This is not a multimethod-multitrait approach to assess convergent and discriminant validity as described by Bollen (1989, p. 190-194). It is simply a multitrait multi-indicator approach with the advantages over the classical approaches discussed by Bollen and noted above. We will assess convergent and discriminant validity by the criteria presented below (section 9.1.3). As long as these criteria are satisfied, there are not significant cross-loadings and the general fit statistics are acceptable, CFA’s would (in relation to their complexity) appear to bear witness of the convergent and discriminant properties of the proposed constructs based on the present data<sup>391</sup>.

Bollen argues that correlation of error terms may be due to indicators coming “from the same source because of response set bias in answering survey questions or for

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<sup>390</sup> We will analyze validities by several such measurement models. The most rigorous test is provided by the most complex measurement models.

<sup>391</sup> Discriminant validities can also be assessed by identifying differences in “nomological (or structural) relations between constructs (Nystedt et al., 1999, p. 50). The nomological relationships will be analyzed in section 9.3.

some other reason" (1989, p. 232). This might seem to imply that when including several constructs and their indicators in the same measurement model for assessing convergent and discriminant properties, correlations of error terms could be interpreted to include common method factors. However, this would arguably be the case only to the extent that we would have earlier robust evidence of the construct convergent and discriminant validities. Thus, *pace* Niehoff and Moorman (1993, p. 538), in these analyses of validity we arguably cannot separate common method errors from bad convergent and discriminant properties<sup>392</sup>.

Our validation analyses will be exhibited below, but first we will explicate our notion of reliability.

#### 8.4.2 Reliability

Bollen explicates a structural equation definition of reliability as follows:

"The [latent] variables with direct effects on  $x_i$  [observed variable] are the systematic components of  $x_i$ . All else is error. The stronger the systematic component, the greater is  $x_i$ 's reliability. A straightforward measure of this reliability is the squared multiple correlation coefficient for  $x_i$ ,  $R^2_{xi}$ " (1989, p. 221).

According to Bollen, the advantages to more classical test theoretical measures of reliability (such as the Cronbach's alpha) this structural equation definition of latent variable reliability makes "allowances for correlated errors of measurement" as well as for indicators "influenced by more than one latent variable" (ibid., p. 220-221)<sup>393</sup>. The advantages are thus parallel to the ones related to the measure of validity above. This measure of reliability is thus a measure of "the proportion of variance in a measure that is explained by the variables that directly affect  $x_i$ " (ibid., p. 222). Bollen explicates the difference between his measure(s) of validity and reliability as follows:

"[R]eliability measures all influences on variables – valid and invalid – on  $x_i$ . Validity measures the strength of the direct effect of a particular  $\xi_j$  [latent variable] on  $x_i$ " (ibid., p. 221).

To the extent that we have only one latent variable influencing any observed variable in our measurement models, Bollen's measure of reliability seems to be parallel to his measure of construct validity<sup>394</sup>.

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<sup>392</sup> One (alternative) suggested procedure for evaluating convergent and discriminant properties is to compare a theoretically expected model with one in which "supposedly independent constructs...[are constrained] to be perfectly correlated and equally correlated with other constructs" (Kinicki, Prussia and McKee-Ryan, 2000, p. 95). Here the argument seems to be fairly weak, i.e. that if two constructs are not perfectly correlated they are discriminantly valid. We limit our analyses to considering the statistics of the theoretically expected measurement models.

<sup>393</sup> However, just as the Cronbach's alpha, Bollen's measure of reliability does not apply to constructs with cause indicators (ibid., pp. 222-223).

<sup>394</sup> One might also argue that convergent validity as assessed by the level of the coefficients of the relations between the latent variables and all their observed indicators when no exogenous constructs



This brings out the fact that the distinction between reliability and validity as these phenomena are measured is not absolute. They are not completely independent measures. To the extent that convergent validity and discriminant validity are high also the measure of reliability will be high. This interdependent nature of the phenomena of validity and reliability is also exemplified by Bollen's measure of validity in terms of "unique validity variance" (1989, p. 200) which in fact is a function of reliability.

This is in line with the claim above that it would be wrong to argue that construct validity (convergent and discriminant) is a measure of the extent to which a construct corresponds to reality or the extent to which it measures what it is supposed to measure, in any other sense than making a consistent distinction.

The best measure for the relationship between a construct and "reality" would be to have a perfect criterion and criterion validity. Any form of "Platonic true scores" (Bollen, 1989, p. 188) are arguably unobtainable in general. But with reference to many (social) scientific concepts even empirical "true scores", i.e. criteria for assessing "concurrent validity" (ibid., p. 186) are not independently identifiable. With reference to such concepts or constructs the best quantitative alternative to perfect criterion validity we have is a set of nomological (predictive) validities in combination with evidence of construct validity and reliability. Replicable nomological validities are always likely to be dependent on construct validities and reliabilities but nomological validities including construct validities still operate at the level of meaning<sup>395</sup>. What we (should) refer to in a scientific discourse e.g. by 'psychological empowerment' or 'HRM' (if we are able to successfully refer with these constructs at all) depends on what concepts or constructs give rise to the best nomological validities. Thus, (scientific questions) of empirical reference are ultimately simply a fallout of the best available empirical theories (Rorty, 1980, p. 294). The interdependence between nomological validity and *fruitful* valid and reliable constructs is parallel to the ultimate interdependence of the phenomena of meaning and reference (see section 2.3.1). As suggested in section 2.3.1, these two cannot be fruitfully assessed independently. Nevertheless, before even getting involved with analyses of nomological validities and thus the potential theoretical fruitfulness of our constructs we need to establish some form of construct validities and reliabilities.

In the next section we will thus exhibit the results of our measurement models (confirmatory factor analyses) of different combinations of our constructs where we assess reliabilities as well as convergent and discriminant validities as discussed above.

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and measures are included would be a measure more reminiscent of the classical reliability measure for example in the form of Cronbach's alpha.

<sup>395</sup> In the last instance this is of course true for any validity assessments in the sense that any interesting criterion is also in turn bound to be dependent on some form of theory of meaning.

### 8.4.3 Analyses of validity and reliability

The complexity of the CFA's involving the more or less closely related different (attitudinal) constructs included in this study seems quickly to become unprecedented in earlier research. Therefore, before moving on to more complicated validation analyses we wanted to analyze/corroborate the basic empirical structure of the constructs in separate or simpler CFA's. Some criteria for judging confirmatory factor model satisfaction are discussed by Jöreskog and Sörbom, (1993). The fit statistics we will use and the general criteria regarded as indicating satisfactory model fit are:  $R^2$  (for the item)  $\geq 0,20$ ; t-values (for item estimate)  $\geq 2,00$ ; p-value for the chi-square statistic (of general model)  $\geq 0,05$ ; RMSEA  $\leq 0,08$ ; CFI  $\geq 0,90$ ; GFI  $\geq 0,90$ ; Critical  $N \geq N$ .

In line with Bollen's suggestion (above) for a definition of reliability we will thus provide the squared multiple correlation coefficient for  $x_i$ 's despite the fact that we have seen no specific criteria for evaluating them. In connection to the simpler CFA's we also provide Cronbach's alpha coefficients which are generally used as indicators of the reliability of construct-items as reflectors of their respective constructs. The Cronbach's alphas for most constructs used in this study are above or right at the .70 threshold recommended by Nunally (1978). Three exceptions are 'procedural justice' and 'affective continuance commitment', and 'job opportunities'. However, in this study the scales for these constructs consist of only two variables each. Since the Cronbach's alpha is sensitive to the number of items of any construct and since the CFA's of these constructs are acceptable we regard the latter as more adequate evidence of the acceptable nature of these constructs.

Thus, through a simple confirmatory factor analysis we could corroborate a second order multidimensional construct of *psychological empowerment*, with significant theoretically expected factor loadings, no cross-loadings and acceptable fit statistics. The Cronbach's alpha is 0.82. The results of this CFA are exhibited in table 2<sup>396</sup>.

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<sup>396</sup> This confirmatory factor analysis is in line with the only other one we know of (Spreitzer 1995, p. 1457) although the loadings of the different dimensions are not exactly corresponding. The loadings differed already with respect to the two sub-samples included in the latter study.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Competence			
	Q128	0.79	0.64	8.25
	Q92	0.92	0.84	-
	Meaning			
	Q150	0.84	0.70	6.80
	Q89	0.73	0.54	-
	Impact			
	Q50	0.88	0.77	10.42
	Q38	0.99	0.99	-
	Autonomy			
	Q41	1.00	1.00	-
	Q10	0.78	0.60	13.71
Second order	PSYCHOLOGICAL EMPOWERMENT			
	Competence	0.75	0.56	7.68
	Meaning	0.81	0.65	6.34
	Impact	0.60	0.36	6.51
	Autonomy	0.75	0.56	7.24
MODEL FIT: $\chi^2=28.6$ ; $df=15$ ; p-value for $\chi^2=0.03$ ; RMSEA=0.08; CFI=0.98; GFI=0.95; CN=133 ERROR CORRELATIONS: (+) Q89/Q128; Q89/Q50 CROSSLOADINGS: - METHOD: ML N = 125				

Table 2

A three dimensional second order construct of affective commitment did not exhibit acceptable  $\lambda$ 's. Neither did a two dimensional second order construct of affective commitment involving the dimension of loyalty. However, in line with the arguments about the two different aspects of commitment (section 7.2.4.2), our data/analyses indicate the existence of two separate constructs, i.e. one second order construct of *affective commitment* (Cronbach's alpha = 0.70) and one first order construct of *continuance commitment* (Cronbach's alpha = 0.50). The properties of a first order factor analysis involving all the three dimensions of commitment, and thus also the first order construct of continuance commitment, is exhibited in table 3a. The properties of the second order construct based upon a CFA involving also the second order construct of psychological empowerment (due to reasons of identification) is exhibited in table 3b<sup>397</sup>.

<sup>397</sup> In fact, we have nowhere seen it empirically established that affective commitment or any other form of a multidimensional construct of commitment actually produces a second order construct. This CFA thus has some independent interest.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Identification			
	Q28	0.75	0.56	8.46
	Q85	0.67	0.45	7.56
	Involvement			
	Q76	0.76	0.58	8.40
	Q119	0.86	0.73	9.39
	Affective continuance commitment (Loyalty)			
	Q47	0.75	0.56	7.02
	Q87	0.54	0.29	5.42
MODEL FIT: $\chi^2=9.26$ ; df=6; p-value for $\chi^2=0.16$ ; RMSEA=0.07; CFI=0.98; GFI=0.98; CN=219 ERROR CORRELATIONS: - CROSSLOADINGS: - METHOD: ML N = 125				

Table 3a

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Competence			
	Q128	0.80	0.65	8.80
	Q92	0.96	0.91	-
	Meaning			
	Q150	1.00	1.00	-
	Q89	0.43	0.54*	5.85
	Impact			
	Q50	0.89	0.79	13.50
	Q38	0.99	0.99	-
	Autonomy			
	Q41	0.92	0.85	7.68
	Q10	0.82	0.67	-
	Identification			
	Q28	0.67	0.45	-
	Q85	0.75	0.56	6.64
	Involvement			
	Q76	0.82	0.67	-
	Q119	0.83	0.67	8.27
Second order	PSYCHOLOGICAL EMPOWERMENT			
	Competence	-0.68	0.47	-7.65
	Meaning	-0.69	0.48	-8.21
	Impact	-0.70	0.48	-8.15
	Autonomy	-0.61	0.37	-5.53
	AFFECTIVE VALUE COMMITMENT			
	Identification	0.90	0.80	6.74
	Involvement	0.71	0.52	6.77
MODEL FIT: $\chi^2=59.8$ ; $df=43$ ; p-value for $\chi^2=0.06$ ; RMSEA=0.05; CFI=0.98; GFI=0.93; CN=140 ERROR CORRELATIONS: (+)Q89/Q128; Q89/Q50; Q92/Q38; (-)Q119/Q38 CROSS LOADINGS: Q89 = 0.42 (4.72) x Involvement *Includes cross loading item METHOD: ML N = 125				

Table 3b

We could also establish a second order construct of *organizational citizenship behavior*. However, we excluded the "extra-item" introduced by us since it did not load on any of the dimensions. Further, including all the "original" items the first order constructs of 'advocacy participation' and 'functional participation' cross loaded on item 'OCB 25' producing an unacceptable  $\lambda$  between 'advocacy participation' and this item. The result of the CFA excluding 'OCB 25' is exhibited in table 4a The construct still includes one problematical cross loading but otherwise exhibits

acceptable properties (Cronbach's alpha = 0.83). In table 4b we also exhibit the properties of a shortened second order construct of organizational citizenship behavior with only two items per first order construct (Cronbach's alpha = 0.66)<sup>398</sup>.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Advocacy Participation			
	Q56	0.67	0.44	-
	Q64	0.70	0.49	8.17
	Q52	0.47	0.22	4.66
	Q91	0.69	0.48	6.54
	Q138	0.79	0.62	7.19
	Loyal Boosterism			
	Q37	0.77	0.60	-
	Q116	0.89	0.80	9.17
	Q13	0.63	0.40	6.94
	Interpersonal Helping			
	Q70	0.51	0.27	-
	Q73	0.46	0.21	3.95
	Q140	0.76	0.57	5.27
	Functional Participation			
	Q86	0.84	0.76	4.53
	Q60	0.49	0.24	-
Second order	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Advocacy Participation	0.92	0.84	7.14
	Loyal Boosterism	0.76	0.57	6.98
	Interpersonal Helping	0.97	0.95	5.49
	Functional Participation	0.85	0.72	4.42
MODEL FIT: $\chi^2=90.2$ ; df=60; p-value for $\chi^2=0.03$ ; RMSEA=0.05; CFI=0.95; GFI=0.91; CN=122 ERROR CORRELATIONS: (+) Q56/Q64 CROSSLOADINGS: - METHOD: ML N = 125				

Table 4a

<sup>398</sup> Also these CFA's have some independent interest since we have seen no prior evidence for the fact that any suggested items/dimensions of organizational citizenship behavior actually form a second order construct.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Advocacy Participation			
	Q56	0.78	0.61	-
	Q64	0.82	0.68	7.47
	Loyal Boosterism			
	Q37	0.77	0.59	-
	Q116	0.89	0.79	6.69
	Interpersonal Helping			
	Q70	0.66	0.44	-
	Q73	0.59	0.35	3.84
	Functional Participation			
	Q60	0.48	0.23	-
	Q86	0.85	0.73	4.53
Second order	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Advocacy Participation	0.82	0.67	6.90
	Loyal Boosterism	0.67	0.44	5.42
	Interpersonal Helping	0.68	0.47	4.76
	Functional Participation	0.95	0.90	4.44
MODEL FIT: $\chi^2 = 10.6$ ; df=16; p-value for $\chi^2 = 0.89$ ; RMSEA=0.00; CFI=1.00; GFI=0.98; CN=376 ERROR CORRELATIONS: - CROSSLOADINGS: - METHOD: ML N = 125				

Table 4b

Our initial simple CFA's indicate that, as expected, *leader support* (Cronbach's alpha = 0.86) and *co-worker support* (Cronbach's alpha = 0.71) exhibit uni-dimensional factor structures. However, including all the items of leader support did not produce a model with acceptable fit statistics. Excluding item 'PLSQ148' resulted in a CFA with (relatively) good fit statistics. All the items for the construct of co-worker support resulted in a uni-dimensional construct. However, since the degrees of freedom with only five and respectively four items is very small we show a CFA where both these constructs are included. Thus, the CFA exhibited in table 5 indicates that these two construct exhibit acceptable unidimensional properties.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.72	0.51	8.33
	Q14	0.73	0.53	8.52
	Q77	0.71	0.50	8.21
	Q123	0.54	0.29	5.88
	PERCEIVED LEADER SUPPORT			
	Q109	0.79	0.62	10.21
	Q106	0.79	0.63	10.31
	Q93	0.82	0.67	10.78
	Q126	0.87	0.76	11.94
	Q151	0.65	0.42	7.77
MODEL FIT: $\chi^2=37.6$ ; $df=26$ ; p-value for $\chi^2=0.07$ ; RMSEA=0.06; CFI=0.98; GFI=0.94; CN=162 ERROR CORRELATIONS: - CROSSLOADINGS: - METHOD: ML N = 125				

Table 5

We were not able to corroborate an expected uni-dimensional construct of *organization support* even as the Cronbach's alpha (0.87) indicate good reliability of all the items. The result of a CFA constraining the items to load on the same construct is exhibited in table 6a. Still including all the original items but exploratively distinguishing between three conceptually arguably meaningful dimensions which we labeled 'respect', 'forgiving climate', and 'tolerance' resulted in better loadings and somewhat better but still not acceptable fit statistics (table 6b). Taking two of the best loading items from the dimension 'respect' and the two items for each of the other dimensions produced a model of three first order factors with acceptable fits statistics while not exhibiting acceptable uni-dimensional properties. These items also produced a second order construct with good fit statistics with the exception of a somewhat high RMSEA (Cronbach's alpha = 0.73). The second order CFA is exhibited in table 6c. In fact the fit statistics would have been even better would we have taken the two best loading items reflecting 'respect' in the CFA exhibited in table 6b but these seemed conceptually almost identical and thus less meaningful<sup>399</sup>.

<sup>399</sup> Eisenberger and Huntington present some evidence for the unidimensionality of their construct of organization support. This evidence is in the form of a principal component analysis, an exploratory factor analysis and Cronbach's alpha (1993, p. 503). The Cronbach's alpha (= 0.87) for all the items included in the present study also indicate unidimensional reliability while an exploratory factor analysis does not. Although we did not include all the original items of the construct of perceived organization support, the indication provided by our data and CFA that at least a subset in terms of the included items of this construct may not be unidimensional and may form a meaningful three dimensional second order construct has some independent interest. It may also be noted that a CFA testing the unidimensionality of the measurement instrument for POS with all 17 items has produced questionable fit statistics elsewhere (Shore and Tetrick, 1991, p.639). These authors did not report the p-value for the chi-square statistic.



Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PERCEIVED ORGANIZATION SUPPORT			
	Q59	0.55	0.30	6.32
	Q80	0.46	0.21	5.19
	Q88	0.75	0.57	9.56
	Q103	0.74	0.54	9.26
	Q120	0.85	0.72	11.36
	Q45	0.64	0.41	7.63
	Q81	0.58	0.34	6.80
	Q11	0.59	0.35	6.95
	Q33	0.53	0.28	6.13
	Q48	0.44	0.19	4.91
	Q53	0.48	0.23	5.44
	Q54	0.43	0.18	4.78
	Q84	0.48	0.23	5.38
	Q142	0.73	0.54	9.23
MODEL FIT: $\chi^2=214,1$ ; df=77; p-value for $\chi^2=0.00$ ; RMSEA=0.12; CFI=0.77; GFI=0.80; CN=58 ERROR CORRELATIONS:- METHOD: ML N = 125				

Table 6a

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Tolerance			
	Q59	0.88	0.77	9.35
	Q53	0.76	0.58	8.17
	Forgiving climate			
	Q80	0.60	0.37	5.73
	Q84	0.61	0.37	5.73
	Respect			
	Q88	0.76	0.58	9.68
	Q103	0.75	0.56	9.50
	Q120	0.85	0.72	11.43
	Q45	0.63	0.40	7.53
	Q81	0.57	0.32	6.64
	Q11	0.60	0.36	7.06
	Q33	0.53	0.28	6.06
	Q48	0.43	0.19	4.85
	Q54	0.42	0.58	4.63
	Q142	0.74	0.17	9.29
MODEL FIT: $\chi^2=170.6$ ; df=74; p-value for $\chi^2=0.00$ ; RMSEA=0.10; CFI=0.84; GFI=0.84; CN=71 ERROR CORRELATIONS:- METHOD: ML N = 125				

Table 6b

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Tolerance			
	Q59	0.86	0.73	-
	Q53	0.78	0.61	5.70
	Forgiving climate			
	Q80	0.62	0.39	-
	Q84	0.59	0.35	3.63
	Respect			
	Q103	0.70	0.49	-
	Q120	0.97	0.94	6.17
Second order	PERCEIVED ORGANIZATION SUPPORT			
	Tolerance	0.58	0.33	4.48
	Forgiving Climate	0.68	0.46	3.95
	Respect	0.91	0.83	4.49
MODEL FIT: $\chi^2=12.7$ ; df=6; p-value for $\chi^2=0.05$ ; RMSEA=0.095; CFI=0.97; GFI=0.97; CN=161 ERROR CORRELATIONS: - CROSSLOADINGS: - METHOD: ML N = 125				

Table 6c

While the three dimensional construct of *interactional justice* exhibits acceptable properties (Cronbach's alpha = 0.79), including all our three items of the construct of *procedural justice* did not result in an acceptable factor structure. Table 7a exhibits a CFA which provides evidence of this (together with the construct of affective continuance commitment in order to increase the degrees of freedom somewhat). Also, conceptually the item not loading significantly on 'procedural justice' would seem to reflect the results of any procedural justice rather than procedural justice itself. When we excluded this item the CFA exhibited satisfactory fit statistics although the items reflecting procedural justice still exhibits lowish but still acceptable  $\lambda$ :s (Table 7b). The Cronbach's alpha for the two items related to procedural justice is only 0.38.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PROCEDURAL JUSTICE			
	Q17	0.44	0.19	3.98
	Q83	0.48	0.23	4.20
	Q74	0.03	0.00	0.34
	INTERACTIONAL JUSTICE			
	Q34	0.83	0.69	10.74
	Q149	0.85	0.72	11.01
	Q105	0.70	0.49	8.42
	AFFECTIVE CONTINUANCE COMMITMENT			
	Q47	0.71	0.51	5.85
	Q87	0.56	0.32	5.08
MODEL FIT: $\chi^2=28.6$ ; df=17; p-value for $\chi^2=0.04$ ; RMSEA=0.07; CFI=0.95; GFI=0.95; CN=135 ERROR CORRELATIONS:- METHOD: ML N = 125				

Table 7a

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PROCEDURAL JUSTICE			
	Q17	0.45	0.20	4.10
	Q83	0.48	0.23	4.33
	INTERACTIONAL JUSTICE			
	Q34	0.83	0.69	10.76
	Q149	0.85	0.72	11.01
	Q105	0.70	0.48	8.41
	AFFECTIVE CONTINUANCE COMMITMENT			
	Q47	0.71	0.50	5.83
	Q87	0.57	0.32	5.09
MODEL FIT: $\chi^2=16.9$ ; df=11; p-value for $\chi^2=0.11$ ; RMSEA=0.07; CFI=0.98; GFI=0.96; CN=182 ERROR CORRELATIONS:- METHOD: ML N = 125				

Table 7b

While the Cronbach's alpha for all the items related to *distributive justice* is acceptable (= 0.69), in distinction to some earlier research our data/analyses indicate that this construct is best conceived of as a two-dimensional second order construct with first order constructs related to the nature of rewards and nature of work respectively rather than a uni-dimensional one. The results of a uni-dimensional CFA are exhibited in table 8a. The factor loadings, p-value for the chi square statistic, RMSEA and the Critical N indicate bad model fit. With only two items per first order factor a CFA of all the justice related constructs exhibited very good fit statistics when using a two factor structure of distributive justice while the fit statistics were not acceptable when constraining the latter to a uni-dimensional construct. The former analysis is exhibited in table 8b below<sup>400</sup>. The result of a second order CFA with the two dimensional construct of distributive justice (for identificatory reasons together with the construct of organization support) is presented in table 8c.

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<sup>400</sup> This evidence is in some conflict with Moorman (1991, p. 850) as well as Niehoff and Moorman (1993, p. 541). A disturbing element in evaluating the difference between our CFA and these other two CFA's is, apart from the fact that we did not use all the items included in the latter two, that both Moorman (1991) and Niehoff and Moorman (1993) report p-values of the chi-square statistic of less than 0.001 in fact indicating that their CFA's did not exhibit a very good fit. In fact, to the extent that we use all the items for the justice related constructs except the item for procedural justice which both on conceptual and statistical grounds was discarded above and a unidimensional construct of distributive justice we could corroborate the findings of Niehoff and Moorman (1993). The CFI in such a CFA was 0.92 while theirs was 0.92 (ibid., p. 541). The p-value for the chi-square statistic based upon the current data was 0.00016 while Niehoff and Moorman's was < 0.001. In order to increase the p-value over the completely acceptable level of 0.05 two error correlations and one cross loading had to be allowed. With the two first order factors for distributive justice the fit statistics are better with only one free error correlation, the p-value for the chi square statistic then being 0.02 and the other fit statistics very good. These analyses are not shown here.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	DISTRIBUTIVE JUSTICE			
	Q9	0.84	0.71	10.03
	Q16	0.32	0.10	3.43
	Q29	0.93	0.87	11.33
	Q51	0.51	0.26	5.71
MODEL FIT: $\chi^2=9.2$ ; df=2; p-value for $\chi^2=0.01$ ; RMSEA=0.17; CFI=0.95; GFI=0.96; CN=120 ERROR CORRELATIONS:- METHOD: ML N = 125				

Table 8a

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Distributive justice/Rewards			
	Q9	0.80	0.63	9.47
	Q29	0.97	0.97	12.05
	Distributive Justice/Work			
	Q16	0.45	0.20	4.31
	Q51	0.83	0.69	6.29
	PROCEDURAL JUSTICE			
	Q17	0.47	0.22	4.23
	Q83	0.46	0.22	4.22
	INTERACTIONAL JUSTICE			
	Q34	0.84	0.70	10.94
	Q149	0.85	0.71	11.01
	Q105	0.70	0.49	8.50
MODEL FIT: $\chi^2=35.4$ ; df=20; p-value for $\chi^2=0.02$ ; RMSEA=0.08; CFI=0.96; GFI=0.94; CN=125 ERROR CORRELATIONS: (-) Q29/Q149 CROSSLOADINGS: - METHOD: ML N = 125				

Table 8b

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	Tolerance			
	Q59	0.88	0.78	-
	Q53	0.76	0.57	5.93
	Forgiving climate			
	Q80	0.59	0.35	-
	Q84	0.62	0.39	3.59
	Respect			
	Q103	0.70	0.49	-
	Q120	0.97	0.94	6.51
	Distributive justice/Rewards			
	Q9	0.83	0.69	-
	Q29	0.95	0.90	8.07
	Distributive Justice/Work			
	Q16	0.43	0.19	-
	Q51	0.87	0.75	3.14
Second order	PERCEIVED ORGANIZATION SUPPORT			
	Tolerance	0.64	0.41	5.67
	Forgiving Climate	0.70	0.50	4.10
	Respect	0.83	0.68	5.19
	DISTRIBUTIVE JUSTICE			
	Distributive justice/Rewards	0.70	0.49	5.22
	Distributive Justice/Work	0.82	0.68	2.99
MODEL FIT: $\chi^2=40.5$ ; df=29; p-value for $\chi^2=0.08$ ; RMSEA=0.06; CFI=0.97; GFI=0.94; CN=156 ERROR CORRELATIONS: - CROSS LOADINGS: - METHOD: ML N = 125				

Table 8c

Finally, the less well established constructs of *workload* and *alternative job opportunities* did not form good uni-dimensional constructs as expected. Rather, as shown by the CFA in table 9 one item from each scale formed both conceptually and statistically justifiable distinct variables. The unexpected distinct variables were labeled '*too big demands*' and '*job offers*' respectively. The CFA also exhibits the properties of the construct of *organizational image*. Cronbach's alpha for the three items reflecting workload is 0.69, for the two items reflecting job opportunities it is 0.65 and for the two items reflecting organizational image it is 0.82.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	JOB OPPORTUNITIES			
	Q49	0.98	0.97	8.38
	Q117	0.62	0.38	6.10
	JOB OFFERS			
	Q39	1.00	1.00	-
	WORKLOAD			
	Q44	0.53	0.28	4.90
	Q57	0.65	0.42	6.16
	Q71	0.71	0.50	6.66
	DEMANDS			
	Q18	1.00	1.00	-
	PERCEIVED ORGANIZATIONAL IMAGE			
	Q19	1.00	1.00	-
	Q111	0.74	0.55	12.42
MODEL FIT: $\chi^2=33.7$ ; df=19; p-value for $\chi^2=0.02$ ; RMSEA=0.08; CFI=0.95; GFI=0.94; CN=132 ERROR CORRELATIONS: (+) Q44/Q57 CROSS LOADINGS: - METHOD: ML N = 125				

Table 9

Finally, our items related to employee work performance formed two conceptually justifiable distinct constructs, one four item construct in terms of *quality/efficiency of employee performance* (Cronbach's alpha = 0.83) and one two item construct in terms of *employee innovativity concerning products and processes* (Cronbach's alpha = 0.81). One item was excluded. This CFA is exhibited in table 10.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.77	0.59	9.63
	SQ0E	0.84	0.70	10.77
	SQ0C	0.82	0.68	10.53
	SQ0H	0.68	0.46	8.14
	EMPLOYEE PERFORMANCE: INTERNAL INNOVATIVITY			
	SQ0G	0.76	0.57	6.88
	SQ0A	0.89	0.84	7.89
MODEL FIT: $\chi^2=12.5$ ; df=7; p-value for $\chi^2=0.07$ ; RMSEA=0.08; CFI=0.98; GFI=0.97; CN=184 ERROR CORRELATIONS: (+) SQ0A/SQ0B CROSS LOADINGS: METHOD: ML N = 125				

Table 10

In line with our expectations, the organizational performance items did not form an acceptable unidimensional construct. Rather, the items measuring perceived customer satisfaction and the perceived quality of products and services formed one construct we labeled *organizational performance in terms of quality* (Cronbach's alpha = 0.72) distinct from the one item variable tapping *organizational profitability*. The evidence is exhibited in Table 11. Due to the otherwise very low degrees of freedom the CFA includes also the employee performance constructs. With one free error correlation and one cross loading between the construct of organizational quality and one item primarily reflecting employee performance in terms of quality/efficiency the CFA exhibits acceptable fit statistics.



Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.76	0.58	9.59
	SQ0E	0.83	0.70	10.76
	SQ0C	0.82	0.67	10.52
	SQ0H	0.64	0.51*	7.85
	EMPLOYEE PERFORMANCE: INTERNAL INNOVATIVITY			
	SQ0G	0.81	0.66	8.09
	SQ0A	0.83	0.72	8.51
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.65	0.42	9.54
	SQ11	1.00	1.00	-
	ORGANIZATIONAL PERFORMANCE: PROFITABILITY			
	SQ10	1.00	1.00	-
MODEL FIT: $\chi^2=37.7$ ; df=21; p-value for $\chi^2=0.01$ ; RMSEA=0.08; CFI=0.96; GFI=0.94; CN=118 ERROR CORRELATIONS: (+) SQ0A/SQ0B CROSS LOADINGS: SQ0H = 0.21 (3.12) x Organizational Performance: quality * Includes cross-loading item METHOD: ML N = 125				

Table 11

In summary, with a reasonably limited degree of item deletions and modifications, the above outlined criteria for model evaluation in terms of  $R^2$  values, t-values, factor loadings and general fit statistics in terms of p-value, RMSEA, CFI, GFI and Critical N are satisfied for most of the above shown fairly simple CFA's. This thus gives some initial credibility to the data and the constructs used. However, more proper analyses of validities can only be established by including several (or ideally all) constructs in the same analyses.

Concerning structural equation analyses Niehoff and Moorman note that

“researchers attempting to model relationships among a large number of latent variables have found it difficult to fit such models to predictions with even strong theoretical support...Therefore [they argue], steps are needed that decrease the number of indicators used yet maintain the estimation of measurement error given by using multiple-item indicators” (1993, p. 538).

Because of our medium sample size<sup>401</sup> and the large number of parameters to be estimated we also needed to reduce the number of parameters in our structural equation analyses. This is most often noted as the reason for researchers forming composite scores of at least some of the variables in their structural equation analyses (e.g. Moorman, Blakely and Niehoff, 1998, p. 607; Settoon, Bennett, and Liden, 1996,

<sup>401</sup> Bollen notes that a “sample size of 138 is neither conspicuously small nor large” (1989, p. 269). This is thus arguably also true for the sample size in our analyses.

p. 222; Niehoff and Moorman, 1993, p. 538; Wayne, Shore, and Liden, 1997, p. 100). However, the extent to which there may also often be problems with discriminant validities is in most cases not adequately shown. Below we shall analyze the extent to which this is the case in our data. Both Niehoff and Moorman (1993, p. 538) as well as e.g. Settoon et al. (1996, p. 222) follow procedures of creating scale scores or manifest indicators for latent variables by averaging the items for each scale related to uni-dimensional constructs and for each subscale related to multidimensional constructs. These procedures will also be utilized by us<sup>402</sup>. Further, although much debated, the method of using only a limited amount of all the items included in original measurement instruments for any latent variables has been recommended e.g. by Hayduk (1987, p. 218)<sup>403</sup>. By these procedures we have attempted to use as many latent model constructs as possible instead of composite scores in our structural equation analyses/complex CFA's. Based on these more complex CFA's we will then also create the ultimate scale scores to be used in the regression analyses.

The (first) reduction of complexity is based on the separate confirmatory factor analyses described above. We averaged the items of each dimensions of *psychological empowerment* and *affective value commitment* and used these scales to create and test the respective first order multidimensional constructs. The results are exhibited in table 12.

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<sup>402</sup> These or very similar procedures of data reduction are more or less standard in the research literature as is evidenced e.g. also by Moorman, Blakely and Niehoff (1998, p. 607) and Wayne, Shore, and Liden (1997, p. 100).

<sup>403</sup> Hayduk argues that we should begin with "the single best indicator...[or] the fewest variables for which the most is known " (ibid., p. 218). We will not strictly follow the rule of beginning with "the single best indicator" nor be able to claim that there are any specific variables reflecting our constructs "for which the most is known". We will however, in order to simplify the analyses, follow the general recommendation of using a fewer number of indicators than included in some original measurement instruments. We will broadly choose indicators which seem both conceptually meaningful and, if possible at all, allow us to achieve acceptable properties of convergent and discriminant validity. Clearly these decision rules are somewhat ambiguous and may result in ad hoc decisions.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PSYCHOLOGICAL EMPOWERMENT			
	Competence	0.64	0.41	7.41
	Meaning	0.71	0.51	8.41
	Impact	0.64	0.41	7.33
	Autonomy	0.54	0.29	6.02
	AFFECTIVE VALUE COMMITMENT			
	Identification	0.69	0.47	7.77
	Involvement	0.68	0.46	7.63
MODEL FIT: $\chi^2=14.9$ ; $df=8$ ; p-value for $\chi^2=0.06$ ; RMSEA=0.08; CFI=0.97; GFI=0.96; CN=182 ERROR CORRELATIONS: - CROSS LOADINGS: - METHOD: ML N = 125				

Table 12

Following these procedures we were also able to validate a simplified first order factor structure of *organizational citizenship behavior*. However, at this simplified level, only a three-dimensional construct of organizational citizenship behavior exhibited satisfactory statistics while the  $\lambda$  for the item 'functional participation' was low ( $=0.26$ ). These three and four dimensional constructs are exhibited in table 13. We will use the three dimensional construct in the more complex analyses below of convergent and discriminant properties of the constructs. The Cronbach's alpha for the original six items of this construct is 0.71.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Interpersonal Helping	0.48	0.23	4.40
	Loyal Boosterism	0.74	0.54	5.66
	Advocacy Participation	0.60	0.36	5.09
MODEL FIT: $\chi^2=0$ ; $df=0$ ; p-value for $\chi^2=1.00$ ; RMSEA=0.00; CFI=1.00; GFI=1.00; CN=- ERROR CORRELATIONS: - CROSS LOADINGS: - METHOD: ML N = 125				

Table 13

Using the same method of creating scale scores on the basis of our analyses of the multidimensional second order nature of our constructs of perceived *organization support* and *distributive justice* we were also able to validate first order versions of these multidimensional constructs. In order to further reduce the complexity we were also able to validate two-indicator constructs of *leader support* (Cronbach's alpha =

0.76), *co-worker support* (Cronbach's  $\alpha = 0.72$ ) and *interactional justice* (Cronbach's  $\alpha = 0.70$ ). Evidence for the validity of these constructs is presented below.

Robust convergent and discriminant properties of the attitudinal organizational behavior constructs used in this thesis are far from having been established by earlier research and including all of them in the same analyses based upon the current data did not produce an acceptable confirmatory factor model. In order to further probe the degree of validity of our constructs we thus performed a set of more overall confirmatory factor analyses including several (combinations) of our reduced constructs. The results of these more complex CFA's are exhibited below.

We begin with a CFA including the focal theoretical attitudinal constructs. With the exception of a low  $\lambda$  for 'interpersonal helping' this CFA exhibits acceptable statistics (table 14). The model includes three free error correlations which considering the theoretical affinity of the constructs and in particular the conceptual closeness of some of the items and the potential common method errors involved does not appear to be unreasonable. In addition, the model involves two cross loadings in that 'affective continuance commitment' loads on both 'identification' and 'loyal boosterism'. However, the construct of affective continuance commitment nevertheless appears to be clearly distinct from the constructs of affective value commitment and organizational citizenship behavior in that, with these modifications and cross-loadings, the covariances between the first and the latter two are only 0.01 and 0.02 respectively.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PSYCHOLOGICAL EMPOWERMENT			
	Meaning	0.65	0.44	8.23
	Competence	0.63	0.39	7.52
	Impact	0.66	0.44	8.03
	Autonomy	0.47	0.22	5.49
	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Interpersonal Helping	0.26	0.07	2.81
	Loyal Boosterism	0.66	0.74*	8.28
	Advocacy Participation	0.72	0.52	8.41
	AFFECTIVE CONTINUANCE COMMITMENT			
	Q47	0.74	0.54	8.07
	Q87	0.52	0.27	5.65
	AFFECTIVE VALUE COMMITMENT			
	Involvement	0.75	0.57	8.41
	Identification	0.60	0.79*	7.55
<p>MODEL FIT: <math>\chi^2=48.5</math>; <math>df=33</math>; p-value for <math>\chi^2=0.04</math>; RMSEA=0.06; CFI=0.95; GFI=0.93; CN=120</p> <p>ERROR CORRELATIONS: (+) Meaning/Competence; Meaning/Q87; Involvement/Loyal Boosterism</p> <p>CROSS LOADINGS: Identification = 0.64 (6.68) x CONTINUANCE COMMITMENT Loyal Boosterism = 0.53 (5.78) x CONTINUANCE COMMITMENT</p> <p>* Includes cross loading item</p> <p>METHOD: ML</p> <p>N = 125</p>				

Table 14

Next we performed a CFA including all the support and justice related constructs (table 15). With three free error correlations this model exhibits good statistics. Also these error correlations seem acceptable and potentially at least partly due to common method errors.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	DISTRIBUTIVE JUSTICE			
	Distributive justice: Rewards	0.70	0.49	5.87
	Distributive Justice: Work	0.64	0.41	5.57
	PROCEDURAL JUSTICE			
	Q17	0.50	0.25	4.56
	Q83	0.44	0.19	4.17
	INTERACTIONAL JUSTICE			
	Q149	0.83	0.69	10.58
	Q105	0.76	0.57	9.36
	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.70	0.48	7.56
	Q14	0.79	0.63	8.58
	PERCEIVED LEADER SUPPORT			
	Q109	0.88	0.77	11.78
	Q106	0.78	0.61	10.01
	PERCEIVED ORGANIZATION SUPPORT			
	Respect	0.94	0.87	12.47
	Tolerance	0.48	0.23	5.53
	Forgiving Climate	0.44	0.19	5.02
MODEL FIT: $\chi^2=66.7$ ; df=48; p-value for $\chi^2=0.07$ ; RMSEA=0.05; CFI=0.97; GFI=0.93; CN=138 ERROR CORRELATIONS: Q83/ Respect; Q149/Q109 CROSSLOADINGS: - METHOD: ML N = 125				

Table 15

We continued by performing three separate CFA's with all the justice and support related constructs in combination with, in turn, 'psychological empowerment', the two commitment constructs and lastly 'organizational citizenship behavior'.

The CFA including 'psychological empowerment' demanded a large amount of free error correlations (table 16). These error correlations may be seen as being due to the conceptual closeness of the constructs, common method errors and partly as purely technical and thus not really justified. Since we have seen no CFA's including such a large set of related constructs of organizational behavior we simply want to show what is needed if we want to argue that these constructs at least on the basis of the current data are both theoretically and empirically distinguishable. In addition to the error correlations there is also one cross loading. This is only indicator since the cross loadings are dependent on the nr. of free error correlations allowed'. Despite the somewhat problematical nature of this CFA we claim that it nevertheless indicates reasonable convergent and discriminant properties of these constructs.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	PSYCHOLOGICAL EMPOWERMENT			
	Meaning	0.51	0.27	5.78
	Competence	0.40	0.16	4.26
	Impact	0.83	0.68	9.64
	Autonomy	0.48	0.23	5.45
	DISTRIBUTIVE JUSTICE			
	Distributive justice: Rewards	0.84	0.70	7.52
	Distributive Justice: Work	0.49	0.24	5.24
	PROCEDURAL JUSTICE			
	Q17	0.51	0.27	4.97
	Q83	0.44	0.20	4.43
	INTERACTIONAL JUSTICE			
	Q149	0.82	0.67	10.59
	Q105	0.76	0.59	9.73
	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.76	0.58	8.63
	Q14	0.67	0.54	7.49
	PERCEIVED LEADER SUPPORT			
	Q109	0.88	0.77	11.91
	Q106	0.78	0.61	10.09
	PERCEIVED ORGANIZATION SUPPORT			
	Respect	0.95	0.89	12.80
	Tolerance	0.47	0.21	5.40
	Forgiving Climate	0.44	0.19	5.05
	HRM SOPHISTICATION			
	Index	1.00	1.00	-
MODEL FIT: $\chi^2=132.1$ ; df=95; p-value for $\chi^2=0.03$ ; RMSEA=0.05; CFI=0.96; GFI=0.90; CN=123				
ERROR CORRELATIONS: (+) Meaning/Competence; Meaning/ Q149; Meaning/Q145; Autonomy/Distr.Justice: work; Autonomy/Q17				
(-) Distr.Justice: rewards/Q83; Meaning/Tolerance				
CROSSLOADINGS: Q14 = 0.21 (2.46) x Distributive Justice				
METHOD: ML				
N = 125				

Table 16

The corresponding analysis including 'affective value commitment' and 'affective continuance commitment' exhibits a clearer structure in that much less free error correlations are needed (table 17). The free error correlations in this model should be regarded as clearly acceptable. The model also involves three crossloadings but all the original items appear to properly reflect their respective constructs. Thus, this model provides fairly good evidence of the convergent and discriminant properties of the constructs involved.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	AFFECTIVE VALUE COMMITMENT			
	Identification	0.67	0.76*	7.58
	Involvement	0.73	0.54	7.26
	AFFECTIVE CONTINUANCE COMMITMENT			
	Q47	0.81	0.65	7.44
	Q87	0.43	0.32*	4.50
	DISTRIBUTIVE JUSTICE			
	Distributive justice: Rewards	0.75	0.57	7.47
	Distributive Justice: Work	0.55	0.31	5.67
	PROCEDURAL JUSTICE			
	Q17	0.51	0.26	4.66
	Q83	0.44	0.19	4.19
	INTERACTIONAL JUSTICE			
	Q149	0.84	0.70	10.85
	Q105	0.75	0.57	9.37
	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.92	0.85	9.24
	Q14	0.57	0.51*	6.27
	PERCEIVED LEADER SUPPORT			
	Q109	0.91	0.80	12.32
	Q106	0.77	0.60	10.00
	PERCEIVED ORGANIZATION SUPPORT			
	Respect	0.93	0.85	12.29
	Tolerance	0.49	0.24	5.61
	Forgiving Climate	0.44	0.19	5.05
	HRM SOPHISTICATION			
	Index	1.00	1.00	-
MODEL FIT: $\chi^2=127.8$ ; df=93; p-value for $\chi^2=0.06$ ; RMSEA=0.04; CFI=0.96; GFI=0.91; CN=124 ERROR CORRELATIONS: (+) Q83/Respect; Identification/ Q106; Q109/Q87; IPJ149/PLS109 CROSSLOADINGS: Q14 = 0.38 (4.31) x Distributive Justice Q87 = 0.32 (3.47) x Perceived Co-Worker Support Identification = 0.60 (6.08) x Affective Continuance Commitment * Includes cross-loading item METHOD: ML N = 125				

Table 17

The corresponding analysis including the construct of organizational citizenship behavior exhibits acceptable statistics with the exception of the clearly low  $\lambda$  and corresponding  $R^2$  for 'interpersonal helping' (table 18). The model thus arguably provides evidence of acceptable convergent and discriminant properties of these constructs.



Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Interpersonal Helping	0.40	0.16	4.32
	Loyal Boosterism	0.92	0.85	10.08
	Advocacy Participation	0.48	0.23	5.21
	DISTRIBUTIVE JUSTICE			
	Distributive justice: Rewards	1.00	1.00	-
	Distributive Justice: Work	0.45	0.21	5.66
	PROCEDURAL JUSTICE			
	Q17	0.42	0.34*	4.30
	Q83	0.49	0.24	4.46
	INTERACTIONAL JUSTICE			
	Q149	0.84	0.71	10.78
	Q105	0.75	0.56	9.26
	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.74	0.55	8.53
	Q14	0.72	0.61*	8.66
	PERCEIVED LEADER SUPPORT			
	Q109	0.89	0.78	12.06
	Q106	0.77	0.60	9.92
	PERCEIVED ORGANIZATION SUPPORT			
	Respect	0.94	0.88	12.45
	Tolerance	0.47	0.22	5.44
	Forgiving Climate	0.44	0.19	5.02
	HRM SOPHISTICATION			
	Index	1.00	1.00	-
MODEL FIT: $\chi^2 = 115.3$ ; df=89; p-value for $\chi^2 = 0.03$ ; RMSEA=0.05; CFI=0.97; GFI=0.90; CN=129 ERROR CORRELATIONS: (+) Q83/Respect; Q106/Q149; CROSSLOADINGS: Q14 = 0.23 (2.79) x Distributive Justice Q17 = 0.37 (3.68) x Distributive Justice * Includes cross-loading item METHOD: ML N = 125				

Table 18

Finally we also performed three CFA's to test convergent and discriminant properties of the attitudinal constructs and the constructs of employee and organizational performance. Since the question of the distinctiveness of organizational citizenship behavior and "in-role" performance has explicitly been discussed as noted in section 7.2.4.3, we performed two CFA's with our actual work performance constructs and the constructs of organizational citizenship behavior, one with the latter as a second order construct (table 19a) and one with the shortened first order version of this construct (table 19b). Both of these analyses exhibit acceptable statistics again however with the exception of a low  $\lambda$  for 'interpersonal helping' with reference to the shortened first order construct of organizational citizenship behavior.

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.75	0.58	9.58
	SQ0E	0.83	0.69	10.74
	SQ0C	0.82	0.67	10.51
	SQ0H	0.68	0.47	8.17
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.85	0.72	9.02
	SQ0A	0.79	0.67	8.87
	Advocacy Participation			
	Q56	0.79	0.63	-
	Q64	0.81	0.66	7.80
	Loyal Boosterism			
	Q37	0.77	0.61	-
	Q116	0.88	0.77	6.57
	Interpersonal Helping			
	Q70	0.68	0.46	-
	Q73	0.58	0.34	3.74
	Functional Participation			
	Q60	0.48	0.23	-
	Q86	0.85	0.73	4.54
Second order	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Advocacy Participation	0.86	0.73	7.46
	Loyal Boosterism	0.65	0.42	5.37
	Interpersonal Helping	0.67	0.44	4.77
	Functional Participation	0.93	0.86	4.44
MODEL FIT: $\chi^2=87.0$ ; df=69; p-value for $\chi^2=0.07$ ; RMSEA=0.05; CFI=0.96; GFI=0.91; CN=131				
ERROR CORRELATIONS: (+) SQ0B/SQ0A				
CROSSLOADINGS: -				
METHOD: ML				
N = 125				

Table 19a

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.76	0.58	9.64
	SQ0E	0.83	0.70	10.76
	SQ0C	0.82	0.68	10.52
	SQ0H	0.68	0.47	8.16
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.82	0.72	9.25
	SQ0A	0.82	0.67	9.73
	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Advocacy Participation	0.93	0.87	6.86
	Loyal Boosterism	0.48	0.23	4.56
	Interpersonal Helping	0.32	0.11	3.27
MODEL FIT: $\chi^2=40.5$ ; df=23; p-value for $\chi^2=0.01$ ; RMSEA=0.08; CFI=0.96; GFI=0.93; CN=134 ERROR CORRELATIONS: (+) SQ0B/SQ0A CROSSLOADINGS: - METHOD: ML N = 125				

Table 19b

We then performed six further CFA's in order to probe the distinctiveness of the other attitudinal constructs and both the employee and organizational performance constructs. 'Psychological empowerment', 'affective value commitment', the justice and support related constructs appear to be clearly valid constructs in these analyses as shown in tables 20, 21, 24 and 25. The CFA including 'organizational citizenship behavior' exhibits a very low  $\lambda$  for 'interpersonal helping' as well as a lowish Critical N and p-value for the chi-square statistic but more clearly acceptable RMSEA, CFI and GFI (table 23). The CFA including 'affective continuance commitment' exhibits a lowish Critical N and p-value for the chi-square statistic as well as a lowish  $\lambda$  for one of the items reflecting continuance commitment (table 22).

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.75	0.57	9.53
	SQ0E	0.82	0.68	10.77
	SQ0C	0.83	0.69	10.68
	SQ0H	0.68	0.47	8.29
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.84	0.70	8.77
	SQ0A	0.80	0.68	8.79
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.64	0.40	4.71
	SQ11	0.98	0.97	5.55
	PSYCHOLOGICAL EMPOWERMENT			
	Meaning	0.52	0.27	5.19
	Competence	0.45	0.20	4.39
	Impact	0.82	0.67	7.78
	Autonomy	0.51	0.26	5.10
<p>MODEL FIT: <math>\chi^2=56.9</math>; df=44; p-value for <math>\chi^2=0.09</math>; RMSEA=0.05; CFI=0.97; GFI=0.93; CN=147</p> <p>ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H; SQ0E/Impact; Meaning/Competence</p> <p>CROSSLOADINGS: -</p> <p>METHOD: ML</p> <p>N = 125</p>				

Table 20

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.77	0.60	9.66
	SQ0E	0.83	0.69	10.72
	SQ0C	0.82	0.67	10.51
	SQ0H	0.65	0.43	8.07
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.77	0.59	7.29
	SQ0A	0.88	0.82	8.32
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.87	0.76	7.84
	SQ11	0.73	0.54	7.11
	AFFECTIVE VALUE COMMITMENT			
	Involvement	0.47	0.22	6.00
	Identification	1.00	1.00	-
MODEL FIT: $\chi^2=42.4$ ; df=27; p-value for $\chi^2=0.03$ ; RMSEA=0.07; CFI=0.97; GFI=0.94; CN=140 ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H; Involvement/SQ11 CROSSLOADINGS: - METHOD: ML N = 125				

Table 21

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.73	0.57	9.47
	SQ0E	0.83	0.69	10.69
	SQ0C	0.82	0.67	10.50
	SQ0H	0.68	0.47	8.23
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.92	0.85	9.01
	SQ0A	0.72	0.56	7.72
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.66	0.44	4.50
	SQ11	0.95	0.92	5.08
	AFFECTIVE CONTINUANCE COMMITMENT			
	Q47	0.40	0.16	4.88
	Q87	1.00	1.00	-
MODEL FIT: $\chi^2=50.2$ ; df=28; p-value for $\chi^2=0.006$ ; RMSEA=0.08; CFI=0.94; GFI=0.93; CN=110 ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H; CROSSLOADINGS: - METHOD: ML N = 125				

Table 22

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.75	0.58	9.63
	SQ0E	0.83	0.69	10.67
	SQ0C	0.82	0.68	10.57
	SQ0H	0.68	0.46	8.18
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.83	0.69	9.55
	SQ0A	0.81	0.69	9.73
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.70	0.49	4.82
	SQ11	0.89	0.81	5.27
	ORGANIZATIONAL CITIZENSHIP BEHAVIOR			
	Advocacy Participation	0.95	0.90	6.83
	Loyal Boosterism	0.47	0.22	4.48
	Interpersonal Helping	0.32	0.10	3.21
MODEL FIT: $\chi^2=63.6$ ; $df=36$ ; p-value for $\chi^2=0.003$ ; RMSEA=0.08; CFI=0.94; GFI=0.91; CN=108 ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H CROSSLOADINGS: - METHOD: ML N = 125				

Table 23

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.77	0.60	9.70
	SQ0E	0.83	0.69	10.69
	SQ0C	0.82	0.68	10.56
	SQ0H	0.66	0.45	8.13
	EMPLOYEE PERFORMANCE. INTERNAL INNOVATIVITY			
	SQ0G	0.75	0.57	7.26
	SQ0A	0.89	0.84	8.53
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.82	0.67	7.04
	SQ11	0.76	0.59	6.86
	PERCEIVED CO-WORKER SUPPORT			
	Q145	0.67	0.46	7.25
	Q14	0.82	0.67	8.65
	PERCEIVED LEADER SUPPORT			
	Q109	0.87	0.75	11.47
	Q106	0.77	0.60	9.85
	PERCEIVED ORGANIZATION SUPPORT			
	Respect	0.95	0.90	12.29
	Tolerance	0.45	0.21	5.15
	Forgiving Climate	0.41	0.17	4.58
MODEL FIT: $\chi^2=93.2$ ; $df=73$ ; p-value for $\chi^2=0.06$ ; RMSEA=0.05; CFI=0.97; GFI=0.91; CN=131 ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H CROSSLOADINGS: - METHOD: ML N = 125				

Table 24

Constructs, dimensions and indicators		$\lambda$	$R^2$	t-value
First order	EMPLOYEE PERFORMANCE: QUALITY/EFFICIENCY			
	SQ0B	0.78	0.60	9.77
	SQ0E	0.83	0.69	10.69
	SQ0C	0.82	0.68	10.59
	SQ0H	0.67	0.46	8.16
	EMPLOYEE PERFORMANCE: INTERNAL INNOVATIVITY			
	SQ0G	0.73	0.53	7.33
	SQ0A	0.93	0.92	9.25
	ORGANIZATIONAL PERFORMANCE: QUALITY			
	SQ6	0.69	0.48	5.93
	SQ11	0.90	0.83	6.94
	DISTRIBUTIVE JUSTICE			
	Distributive Justice: Rewards	0.60	0.36	5.51
	Distributive Justice: Work	0.75	0.57	6.36
	PROCEDURAL JUSTICE			
	Q17	0.50	0.25	4.42
	Q83	0.43	0.18	3.97
	INTERACTIONAL JUSTICE			
	Q149	0.86	0.73	10.06
	Q105	0.74	0.54	8.52
MODEL FIT: $\chi^2=82.4$ ; $df=60$ ; p-value for $\chi^2=0.03$ ; RMSEA=0.06; CFI=0.96; GFI=0.91; CN=129				
ERROR CORRELATIONS: (+) SQ0B/SQ0A; SQ11/SQ0H				
CROSSLOADINGS: -				
METHOD: ML				
N = 125				

Table 25

**Summary.** The results of our validation analyses can be summarized as follows. Most of the theoretically expected constructs could be identified individually. Most of them could also be corroborated in simpler overall CFA's. This however already in certain cases necessitated some free correlations between error terms. Freeing correlations between error terms of items related to the same construct is generally not considered as a serious problem. As many of our constructs tap phenomena which are conceptually fairly closely related and the constructs are based upon the same source and survey questionnaire (Bollen, 1989, p. 232) also some freeing of error correlations between items related to different constructs should be acceptable. In summary, while indicating certain problems and instabilities, these analyses give some justification of pursuing our structural analyses. We assume that the somewhat ambiguous properties of validity are not a problem related only to our data but probably more general in nature. We have seen no earlier study which have included the same amount of organizational behavior related constructs in the same analyses. By freeing up several error correlations we were able to approach acceptable fit statistics also for more



complex models<sup>404</sup>. Since we performed many respecifications in these CFA's which in each time were "based upon the results of the initial model" many of these CFA's clearly are rather exploratory in nature (Bollen, 1989, p. 296).

"A consequence is that the probability levels for the tests of statistical significance for [these] models must be regarded as approximations. And the need to replicate the final model[s] becomes even more important" (ibid., p. 296).

Our analyses do thus indicate the need to pursue more rigorous validation analyses and potentially more general agreement on relevant conceptual landscapes in organization studies, in particular as e.g. CFA's (not shown here) with all the four focal intermediate attitudinal constructs as well as the support and justice related constructs included did not even approach acceptable fit statistics. In any case, based upon the above analyses we will e.g. in the regression analyses include all constructs together in order to see what can be concluded keeping in mind the problematical nature of overall construct validity. Nothing seems to indicate that the validities of our constructs would be essentially worse than they are in organization studies in general. It may be noted that even if studies in general do not include a similar number of related constructs, the complexity is arguably there although unnoticed. It may also be noted that some of our control variables might in fact improve the discriminant validities between some of the constructs. An analyses of such influences will however not be attempted.

For the multiple regression analyses and some LISREL analyses we formed composite scores of all the items reflecting the shortened versions of the constructs that were included in the above CFA's. As will be argued below, the LISREL analyses with these composite scores will essentially be used only to generate indicative significance tests of indirect effects.

## 8.5 GENERAL DESCRIPTION OF THE STRUCTURAL ANALYSES

**Forward selection.** We will test all of our hypotheses related to direct effects with linear multiple regression analyses. To simply include all of our more or less relevant (partly exploratory) control variables in one equation could provide limited information. We want to test how many and what combinations of our control variables HRM is able to stand up to, in case it does not stand up to all of them. We thus face the problem of choosing the correct or most illuminating models.

Cooper and Weekes describe a procedure known as forward selection where "the single best explanatory variable is chosen and a succession of models is fitted each with one more explanatory variable than the last" (Cooper and Weekes, 1983, p. 202). The different possible versions of this procedure is described in some more detail by Everitt and Dunn (1991, pp. 147-148). Everitt and Dunn argue that one can add variables or sequences of variables, keeping the most significant, "until there is no

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<sup>404</sup> Judged by the recommended sample-size-to-parameter ratio of 5 or more for reliable estimates in maximum likelihood estimation (Bentler, 1985, cited in Settoon et al., 1996, p. 222), this should not be a problem for any of our validation analyses.

further improvement in the fit of the model” (ibid., p. 148). Everitt and Dunn also suggest that

“variables already included in the model can be considered again in turn at each of the stages in the process to see if they still make a significant contribution to the fit of the model. If not they can be deleted” (ibid., p. 148).

Because we are not as interested in a (fully) correct and optimally parsimonious overall model as we are in the explanatory power of our focal theoretical variables as well as in potential theoretical development, we will follow an adaptation of forward selection. We will include control variables which may have theoretically intelligible mediating and/or moderating roles only after we have included all the other control variables, regardless of the former variables’ explanatory power. This allows us to test whether HRM has detectable influences independent of these particular variables<sup>405</sup>. Control variables seem to be able to affect the significance of hypothesized relationships even if they are not in themselves significant. Thus, if the variables have an effect on our focal theoretical variables we will not remove them even if they do not make a significant contribution to the fit of the total model.

In summary, as the present study largely is an exploratory one we will attempt to use (these adaptations of) forward and backward selection as methods of showing how robust our focal theoretical variables’ explanatory power is in relation to the sequential inclusion of more and more relevant controls as well as the elimination of insignificant controls. We will thus try to highlight controls of particular theoretical interest which may be devastating to our hypotheses. To the extent that there are such variables we will then consider if and how they can be incorporated into a theorization of HRM’s influence.

**Beta coefficients.** Because there is no agreement on the unit of measurement for most of our variables and constructs there is little idea in reporting raw beta coefficients in order to enable interpretations of the  $\beta$ -coefficients in any more substantial terms (compare the arguments in relation to validity measures in structural equation analyses by Bollen, 1989, p. 198-199). We will use the standardized beta coefficients in all our regression analyses.

**Multicollinearity.** Many of our variables can be expected to exhibit multicollinearity. Everitt and Dunn note that indicators of multicollinearity problems include instances where

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<sup>405</sup> In effect, we will also utilize a form of backward selection (Everitt and Dunn, 1991, pp. 148). We will delete (in steps) the most insignificant variable in a sequence of backward selected models. When having reached models with (more or less) only significant or weakly significant variables we will try at least the most central variables in turn to see whether they improve the fit of the models. While this form of backward selection does not test all possible combinations of variables it ought to be conceived as an adequate approximation. Whereas our full models in many cases will include a number of variables which makes us violate the often suggested ratio of variables to number of observations (=10), the backward selected models comply more or less with this ratio.

“the statistical significance of variables [is] very dependent on the order in which they are added to the model, and the resulting parameter estimates [are] very unstable” (1991, p. 141).

The above dependence is to be understood as a dependence on the kind of models the variables are entered into. Cooper and Weekes note with reference to multicollinearity that

“[t]he severity of its presence may usually be identified by inspection of the correlation matrix and the effect on the regression coefficients and their standard errors as a result of changing the mix of explanatory variables” (1983, p. 196)<sup>406</sup>.

Here “changing the mix of explanatory variables” corresponds to the formulation of “the order in which they are added to the model” by Dunn and Everitt (above). However, the statistical significance and parameter estimates *should* be very dependent on the order in which the variables are added to the extent that we have conceptually motivated relevant but correlated control variables. Also effects on the regression coefficients and their standard errors would be perfectly acceptable to the extent that the controls are adequate. Without the theoretically motivated controls, independent of whether they give rise to multicollinearity or not, the estimates would be biased. Severe multicollinearity between independent and control variables is simply an indication of the fact that we cannot really know what in fact may influence what.

Multicollinearity is a difficult problem<sup>407</sup>. Judging whether the reason for any insignificant hypothesized relationships are problems of “pure” statistical multicollinearity which should somehow be removed (Cooper and Weekes, 1983, p. 197) or corrected or (also) the result of effective and important control variables is fundamentally a theoretical issue. Evaluations of multicollinearity can make us cautious as to any results of regression analyses and thus inspire researchers to apply more rigorous data collection and/or statistical methods to sort out any (causal) relationships. It might e.g. be the case that future research would have to find data only from organizations which exhibit stable characteristics in terms of some variable, which in a general sample exhibits high multicollinearity with a variable of focal theoretical interest. Such data are often very difficult to come by. It may also sometimes be the case that highly correlated variables should be ordered under one and the same higher order construct.

In diagnosing potential problems of multicollinearity we have focused on the VIF values and Conditions indexes (Maddala, 1988, pp. 227-230) as well as standard errors. We will report these in connection to each regression analysis<sup>408</sup>.

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<sup>406</sup> Maddala (1988, pp. 223-224), on the other hand, argues that the prevalent diagnostical focus on bivariate correlations is simply misguided.

<sup>407</sup> A symptom of the difficulty is the lack of (clear) criteria for acceptable levels of multicollinearity.

<sup>408</sup> It can already here be noted that in none of the analyses do the VIF values reach alarming levels which would indicate severe problems of multicollinearity. Only in very few models do they at the most reach just above 4.0. Neither do the standard errors indicate problems. Some of the regression

**Mediated relationships/Regression analysis.** We will also analyze the mediating relationships postulated by our model. Baron and Kenny (1986) have proposed a three-step mediated regression approach referred to in research closely related to this study (e.g. by Van Van Dyne, 1994, p. 786-787 and Huselid, 1995, p. 662). This procedure involves the following steps:

“First, regressing the mediator on the independent variable; second, regressing the dependent variable on the independent variable; and third, regressing the dependent variable on both the independent variable and the mediator....To establish mediation, the following conditions must hold: First, the independent variable must affect the mediator in the first equation; second, the independent variable must be shown to affect the dependent variable in the second equation; and third, the mediator must affect the dependent variable in the third equation. If these conditions all hold in the predicted direction, then the effect of the independent variable must be less in the third equation than in the second. Perfect mediation holds if the independent variable has no effect when the mediator is controlled” (1986, p. 1177)<sup>409</sup>.

Baron and Kenny argue that caution in interpreting the above kind of mediational analyses is required by the fact that

“[t]he use of multiple regression to estimate a mediational model requires the two following assumptions: that there be no measurement error in the

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coefficients are clearly dependent on the model they are entered into but behave more or less in an orderly and conceptually/theoretically meaningful fashion in the different equations. In most models the condition index reaches levels far above those recommended e.g. by the SPSS 10 “Results coach” (i.e. < 15). However, the condition index appears to be quite sensitive to the number of variables. Considering the amount of variables included in our models and the fact that there appear to be no other indications of severe multicollinearity problems, we regard the high conditions indexes as a minor problem. In line with the suggestions by Everitt and Dunn (1991, pp. 147-148) we will also remove the control variables which are insignificant in the more complex analyses. In the backward selected models the condition indexes tend to be somewhat lower although in most cases still fairly high. However, from the point of view of multicollinearity the removal of variables seem to be of limited interest as there are no other indications of severe problems of multicollinearity. Thus, although the high condition index should clearly be noted, we argue that there seem to be no alarming problems of multicollinearity. These comments apply to all of our regression analyses (below).

<sup>409</sup> Baron and Kenny (1986) argue the phenomena of mediation and moderation denote “two often-confused functions of third variables: (a) the moderator function of third variables, which partitions a focal independent variable into subgroups that establish its domains of maximal effectiveness in regard to a given dependent variable, and (b) the mediator function of a third variable, which represents the generative mechanism through which the focal independent variable is able to influence the dependent variable” (Baron and Kenny, 1986, p. 1173). In other words, “[w]hereas moderator variables specify when certain effects will hold, mediators speak to how or why such effects occur” (ibid., p. 1176; see also Venkatraman, 1989, pp. 428-429). With reference to research closely related to the present study, a confusion between mediation and moderation effects is arguably exemplified e.g. in Van Dyne et al. (1994). There the influence of some of their independent variables would clearly more plausibly be understood as being moderated rather than mediated by at least parts of their complex “mediation” variable. Although we will treat (at least) our focal intermediate variables in terms of affective commitment, psychological empowerment, organizational citizenship behavior and employee performance as mediators, some of them could also be conceived of as moderators. In addition, as already noted some of our control variables could also well be argued to be conceptually plausible potential mediators and/or moderators of any influences of HRM.

mediator and that the dependent variable not cause the mediator” (ibid., p. 1177).

In fact, these seem to be normal criteria which apply to any independent and dependent variables in regression analysis. As is so often the case in organizational research, neither of these possibilities can be excluded with reference to our variables.

In any case, at least LISREL 8.30 which is mainly used as a tool for mediational analyses in the current study, can report significant indirect relationships even if the direct relation between the independent variable and the dependent variable is not significant. This indicates that simply utilizing LISREL 8.30 does not amount to a test of a mediational hypothesis in line with the additional criteria above provided by Baron and Kenny (1986). As noted above, the latter require that also the direct relationship between the independent and dependent variable is significant while excluding the mediator and further that the coefficient/significance of the former relationship are reduced when including the mediator.

The adequacy or necessity of these additional criteria for mediated effects can be questioned<sup>410</sup>. Why would we be interested in these criteria over and above a significance test of the indirect relationship based upon the direct relationships between the independent variable and the mediator as well as the relationship between the mediator and the dependent variable when also the independent variable is included in the equation? Baron and Kenny (1986) do not tell us why and, for example, in his discussion of mediated effects Venkatraman does not require the additional criteria (1989, p. 429)<sup>411</sup>.

The additional criteria could be argued to provide an additional test of the plausibility that the mediator in fact mediates an effect of the dependent variable and that the indirect effect is not *only* a spurious correlation which is artificially created by the intermediate direct relationships. To the extent that we do not apply these additional criteria it might be argued that we allow for the possibility the “indirect relationship” may be completely due to correlated exogenous influences on the mediator. However, the probability of such exogenous influences could arguably be excluded by a significance test together with proper controls for the relationship between the independent variable and the mediator as well as the mediator and the dependent variable.

Thus, in fact it might be argued that Baron and Kenny's additional criteria are superfluous to the extent that researchers include proper controls. In fact the additional criteria can even be considered as misleading. It appears conceivable that there might be an indirect effect through a third variable (which does not reduce the direct effect but) which simply represents a different and additional effect. In fact, it

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<sup>410</sup> As noted above, they have however been used in other publications related to the current research.

<sup>411</sup> Baron and Kenny (1986) also refer to Judd and Kenny (1981). Considering the fact that Venkatraman (1989) does not require the additional criteria, we did not try to get hold on the former publication in order to check whether some arguments for the additional criteria would be presented there.

also appears quite conceivable that there can be a positive indirect effect without any detectable direct effect at all or even a negative direct effect.

In summary, the following should arguably provide a reasonable cross-sectional test of the existence of indirect relationships: (1) including at least some controls relevant also for all the mediating variables; (2) establishing the direct relationships between the independent and mediator variables as well as between the mediator and the dependent variables when including the independent variable; and finally (3) conducting a significance test of the indirect effects<sup>412</sup>.

Significance levels for indirect relationships are not always reported in the literature (e.g. Van Dyne et al., 1994; Huselid, 1995). Moorman et al. (1998) and Hunt and Morgan (1994), for example, do report significance levels in their structural equation analyses of indirect effects. However, both analyses are performed essentially without control variables. We will attempt to report significance levels for the indirect relationships including all our relevant controls. Baron and Kenny (1986, p. 1177) present a formula for testing the significance of indirect effects which in principle can be applied based upon separate regression analyses (assuming recursivity of the complete model). They argue that they present a more exact formula than that reported by Sobel (1982). However, in fact the formula presented in Baron and Kenny (1986) seems to be an erroneous one. Another variant of this formula can be found in Venkatraman (1989, p. 430) although also this formula seems to include typing errors.

In any case, in order to test the significance of indirect relationships including multiple mediators such a formula becomes much more complicated. Instead of applying any such formula to the results of a set of multiple regression analyses we will use a LISREL analysis with composite scores to evaluate the significance of indirect and total relationships. Using LISREL analysis with composite scores uncorrected for any measurement errors essentially corresponds to using ordinary least squares regression analysis with the difference that all the paths are estimated at the same time. (There are however in general in the field of business studies differences in the reporting cultures concerning fit statistics between applications of multiple regression analyses and applications of structural equation analyses). In the LISREL analysis with the simplified composite scores (where the indicators of each construct are averaged) we will concentrate only on the significance of the indirect relationships in order to arrive at at least a rough idea of the possible existence of such relationships.

In probing the significance of mediation effects we will thus combine multiple regression analyses with LISREL analysis. Utilizing the former we will analyze how all the direct relationships postulated by our mediational model fare with reference to all control variables. We will also use LISREL analyses with latent model constructs but no exogenous control variables. Finally, we will use an overall LISREL analysis with the simplified composite scores where we will try to include all and only those

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<sup>412</sup> In structural equation analyses researchers generally do not explicitly control for the direct relationship between the "independent" variable and the "dependent" variable when testing the relationship between the mediator and the "dependent" variable. However, indirectly structural equation analyses allow tests of *structural* relationships where everything which does not improve overall model fit is excluded.

controls which are significant in the partial regression analyses. However, with reference to this methodology we cannot really account for measurement error (Baron and Kenny, 1986, p. 1177). Further, we will in particular in the regression analyses simply assume recursivity, i.e. we will at least initially assume all the postulated unidirectional causal relationships such that at all stages of the suggested model dependent (mediator) variables do not causally influence independent (mediator) variables. We will thus in the regression analyses proceed by testing for lower level mediating relationships without including higher level mediators in the regression equations. Such assumptions of recursivity can naturally be questioned just as they can be so questioned in many (if not most) other quantitative analyses of social phenomena<sup>413</sup>. However we pursue the analyses testing whether the postulated relationships can be confirmed even under these generous assumptions.

**Structural equation analyses.** In order to minimize problems related to measurement errors as well as to provide further justification for our overall model specification we will also attempt to use the structural equation approach with latent model constructs. We will pursue evidence that the basic postulated relations hold in a structural equation analysis with multiple indicators estimating all the relationships at the same time (without controls). Such evidence would arguably offer some further justification for a correct model specification and the application of the regression and LISREL analyses. However, it has to be noted that these two sets of analyses involve different although closely related constructs.

Structural equation analyses with latent model constructs arguably (potentially) involve a more rigorous and adequate test of any relationships in that at least some latent variables *as well as* their indicators are included in the structural analyses. Bollen notes some major features in relation to which

“structural equations with latent variables are distinct from the standard regression approach. The models are more realistic in their allowance for measurement error in the observed variables...The error in measuring one variable can correlate with that of another. Multiple indicators can measure one latent variable. Furthermore, researchers can analyze the relation between latent variables unobscured by measurement error.” (Bollen, 1989, pp. 19-20)<sup>414</sup>.

However, as already alluded to, in most studies (including the current one) the potential advantages of structural equation analyses are not fully utilized either because of low sample sizes, too much complexity, inadequate convergent and/or discriminant validities or a combination of such elements (compare e.g. Moorman, Blakely and Niehoff, 1998, p. 353; Niehoff and Moorman, 1993, p. 538; Settoon,

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<sup>413</sup> In fact, most relationships in our analyses are likely to involve complex feedback processes (March and Sutton, 1997, p. 700-701). This should evidently make us cautious with reference to any interpretations of the evidence in terms of “unidirectional influences”.

<sup>414</sup> As noted by Gerhart, Wright, McMahan and Snell (2000a, p. 803), there are different sources of measurement error, or simply different types of measurement error, i.e. systematic and random error. A LISREL analysis with latent variables may (and arguably usually does) still include systematic measurement error. In fact, this is not unlikely to be a serious problem in HRM research (see also Gerhart, Wright, McMahan and Snell, 2000b as well as Huselid and Becker, 2000).

Bennet and Liden, 1996, p. 222; Wayne, Shore and Liden, 1997, p. 100). Due to the above mentioned kinds of limitations we can only perform structural equation analyses with latent model constructs which in terms of controls are much more limited in nature than our regression analyses and the simplified LISREL analyses<sup>415</sup>.

In addition to these problems, the non-normal distribution of the variables might often affect both regression analyses and structural equation analyses (Bollen, 1989, 415-418). The distribution of the data is almost never analyzed or reported in publications in organization research. We will follow this standard. However due to the lack of

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<sup>415</sup> Measurement error in a structural equation analysis with latent model constructs do contain both measurement error and systematic variance in the indicator which is unrelated to the latent variable, or in other words, unexplained by the latent variable. When using scale scores in structural equation analyses these properties can only be approximated by imposing an error term. In multiple regression analyses not even such approximation is possible. In structural equation modelling such approximation has been pursued by some researchers by "*setting the path from the latent variable to the scale score equal to the product of the square root of the scale reliability and its standard deviation and by setting the error variance equal to the product of the variance of the scale score and one minus the reliability*" (Niehoff and Moorman, 1993, p. 538, italics added). While following the same procedure to calculate the error variance, Settoon et al. apparently followed another procedure for setting the path between the latent variable and the manifest indicator: "The path from the latent variable to its manifest indicator was set to the square root of the reliability of the measured variable..." (Settoon et al., 1996, p. 222). Regardless of how this perhaps should be done, employing scale scores corrected by such error terms will arguably not affect correlations between constructs and thus not significance levels nor slope coefficients. On the other hand, employing the actual latent model constructs with several indicators and their individual error terms will arguably produce different variables whose correlations with other variables may differ compared to scale scores. Therefore we will not in the simplified structural equation analyses utilize any method to approximate measurement error for the composite scores. Therefore also, the structural analysis with latent model constructs and the regression analyses are not fully comparable. They involve theoretically and empirically different variables. The employment of latent model constructs (where otherwise also correct) is theoretically the most adequate procedure.



such analyses our results should be treated with fair cautiousness. Non-normal distributions in combination with the prevalent use of non-continuous Likert scale type data may be further misleading (ibid., p. 433; p. 436). Concerning categorical or close to categorical variables (e.g. Likert scale variables) Bollen remarked that “the robustness research of structural equation techniques...is at an early stage of development” (ibid., p. 438). When using structural equation analyses Bollen’s advice is to compare e.g. maximum likelihood and weighted least squares estimation techniques where the latter is less sensitive to non-normal distributions of the data although it in turn has some other drawbacks (1989, p. 432). However, in this thesis we will limit our structural equation analyses to the maximum likelihood estimation techniques. Further complications of the analyses involve the fact that any suggested model may be nested in less restrictive models or that a more constrained model may be nested in the suggested one (Bollen, 1989, pp. 291-296; Hayduk, 1987, p. 164; 172; 208). We will not engage in comparisons of such potential models. Rather, in this thesis we will only attempt to show evidence of the consistency of a theoretically suggested model with the data. All these remarks only serve as yet another reminder of the openness and tentative nature of any achieved results in our analyses.

**Descriptive statistics.** The general descriptive statistics are presented in Table 25b. It exhibits the scale means, standard deviations, and correlations.

Table 25b. Means, Standards Deviations and Correlations

Variables	Means	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	
1.HRM	4,46	,82																																		
2.Strategic fit	4,91	,96	,24																																	
3.Psych. empowerment	5,65	,81	,44	,25																																
4.Value commitment	5,94	,75	,51	,11	,69																															
5.Cont. commitment	4,35	1,38	,33	,10	,23	,36																														
6.Citizenship behavior	5,21	,81	,46	,03	,65	,62	,28																													
7.Empl. perf.: innov.	4,54	1,39	,09	,12	,26	,09	,10	,24																												
8.Empl. perf.: qual/eff	5,45	,96	,13	,10	,19	,07	,12	,02	,41																											
9.Org.perf: qual	5,53	,90	,33	,25	,10	,24	,10	,03	,16	,25																										
10.Org. perf: profit.	5,31	1,67	,15	,18	-.08	,07	-.06	-.13	-.07	,14	,27																									
11.Empl. retention	4,64	2,00	,06	,08	,15	,15	,20	,19	-.10	-.03	-.06	-.07																								
12.Long. investm. HRM	4,98	,87	,27	,33	,07	,23	,02	,03	,03	,18	,40	,21	,17																							
13.HRM professional.	3,81	1,80	,19	,19	-.13	,03	-.03	-.06	,09	,07	,21	,31	-.23	,35																						
14.Organ. support	5,37	,83	,48	,05	,50	,53	,42	,36	,12	,31	,13	,07	,07	,14	-.06																					
15.Coworker support	5,64	,96	,46	,14	,43	,44	,36	,48	-.01	,11	,03	-.05	,12	,05	-.06	,48																				
16.Leader support	4,97	1,15	,56	,19	,54	,45	,39	,35	,04	,21	,24	,02	,07	,14	-.01	,62	,43																			
17.Interactional justice	5,08	1,06	,49	,18	,52	,51	,28	,31	,07	,23	,15	,08	-.02	,17	,13	,66	,36	,70																		
18.Procedural justice	4,59	1,12	,36	,20	,39	,34	,30	,24	,04	,07	,15	,09	,17	,19	,03	,47	,31	,59	,57																	
19.Distributive justice	5,08	,98	,39	-.10	,17	,32	,29	,20	-.11	,01	,14	,10	,16	,10	,09	,34	,21	,27	,25	,31																
20.Earlier employers	2,46	1,10	-.03	,17	,29	,14	,16	,13	,19	-.08	,10	-.14	,09	-.04	-.13	-.06	-.12	,13	,05	,17	-.12															
21.Employee age	3,91	1,39	-.05	,10	,25	,10	,15	,15	,10	,01	,03	-.14	,03	-.04	-.08	-.05	-.01	,12	,09	,14	,00	,64														
22.Employee tenure	3,04	1,10	-.08	-.04	,07	-.02	,00	,00	-.05	,17	-.01	,00	,00	-.01	-.04	,11	,04	,08	,12	,09	,07	,13	,49													
23.Job opportunities	5,72	1,23	,17	-.01	,22	,17	,01	,20	,01	,18	,01	-.05	,05	,13	-.01	,21	,05	,07	,07	-.03	,07	-.25	-.26	-.16												
24.Recent job offers	4,62	2,46	,13	,05	,18	,18	,02	,15	-.03	,00	,07	,00	-.05	,19	,02	,05	,00	,06	,11	,02	-.03	,02	-.04	-.03	,30											
25.Partnership status	4,02	2,25	,39	,09	,39	,47	,40	,34	,17	,17	,28	,04	,19	,05	-.10	,31	,16	,37	,36	,29	,22	,22	,13	,03	,02	,07										
26.Workload	4,96	1,10	,14	,13	,31	,13	-.18	,36	,20	,01	,00	-.15	,04	,11	-.15	,01	,07	,02	-.03	-.09	-.14	-.05	-.10	-.09	,10	,06	,11									
27.Demands	3,21	1,50	-.07	-.01	-.08	-.19	-.19	-.04	,11	-.04	-.14	-.07	,07	,06	,07	-.30	-.21	-.17	-.17	-.20	-.17	,01	-.04	-.10	-.07	,12	-.06	,38								
28.Rec. rad. impr. HRM	3,24	1,06	,43	,22	,16	,13	,20	,09	,06	,01	-.01	-.02	,02	,09	,21	,16	,17	,18	,16	,17	,03	-.10	-.11	-.13	-.03	,19	,12	,11	,20							
29.Hierarchy	4,00	1,72	,12	-.08	-.06	-.04	-.14	-.01	-.09	-.16	-.14	-.11	-.05	,02	,05	-.18	,11	-.07	-.06	-.11	-.04	-.18	-.17	-.10	,15	,04	-.13	,11	,14	,07						
30.Org. prospects	5,32	1,03	,40	,22	,36	,41	,30	,40	-.13	,00	,15	,17	,21	,00	-.05	,24	,41	,34	,23	,28	,23	-.02	-.01	-.03	,04	,04	,29	,16	-.23	,14	-.03					
31.Org. image	4,99	1,32	,36	,30	,33	,25	,22	,35	,02	-.02	,27	,07	,17	,06	,12	,18	,21	,29	,26	,20	,06	,12	,09	-.01	,01	,14	,26	,23	,00	,30	,04	,35				
32.Strategy	5,22	1,62	-.03	,01	-.14	,02	-.16	,09	,07	-.17	,11	,07	-.03	,02	-.06	-.13	,00	-.15	-.16	-.17	-.12	-.08	-.12	-.11	-.13	,02	-.14	,18	,02	-.13	,11	,02	-.02			
33.Competition	5,59	1,43	,11	-.02	,00	,09	,07	-.01	,09	,14	,40	,02	-.05	,12	,13	,17	,01	,07	,09	,04	,11	-.04	,00	,06	,01	-.11	,10	-.20	-.09	-.10	-.16	-.07	-.01	-.10		
34.Organization size	2,37	,99	-.04	,15	-.26	-.20	,02	-.28	-.01	,13	,09	,23	-.20	-.15	-.01	,01	-.05	-.08	-.07	-.12	-.09	-.19	-.16	,03	,10	-.21	-.11	-.21	-.22	-.13	,05	,07	-.02	,08	,11	

N = 138 (listwise deletion). All correlations greater than or equal to .17 are significant at the .05 level; correlations greater than or equal to .22 are significant at the .01 level (two tailed tests).

## 9 ANALYSES

### 9.1 ANTECEDENTS TO HRM

The results of our tests of hypotheses 1 and 2 postulating a longterm investment in HRM and HRM professionalism respectively as sufficient antecedents to HRM sophistication are exhibited in Table 26.

Table 26.

Variables	Model 1			Model 2			Model 2b					
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF			
Constant	-1.77**	.689	-	-.890	.735	∅	-.18	.508	-			
Number of earlier employers	.092	.062	2.2	-.004	.068	2.1	∅	∅	∅			
Employee age	-.006	.052	2.5	-.018	.058	2.5	∅	∅	∅			
Employee tenure	-.058	.052	1.6	-.088	.057	1.6	-.118**	.045	1.0			
Perceived job opportunities	.086	.046	1.5	.041	.050	1.5	∅	∅	∅			
Recent job offers	-.007	.022	1.4	.048	.023	1.3	∅	∅	∅			
Workload	.063	.054	1.7	.014	.058	1.6	∅	∅	∅			
Too big demands	-.010	.039	1.6	.072	.042	1.5	∅	∅	∅			
Rec. rad. improve. in HRM	.288***	.051	1.4	∅	∅	∅	∅	∅	∅			
Hierarchy	.105**	.030	1.2	.144**	.033	1.3	.163***	.030	1.1			
Prospects of organiz. perf.	.095*	.057	1.6	.093	.063	1.6	∅	∅	∅			
Organizational image	.021	.042	1.4	.087	.045	1.4	.132**	.040	1.2			
Prob. of partnership status	.150**	.024	1.4	.145**	.027	1.4	.142**	.024	1.2			
Strategy	.088*	.031	1.2	.049	.034	1.2	∅	∅	∅			
Organization size	.075	.054	1.4	.008	.061	1.4	∅	∅	∅			
Interactional justice	.091	.072	2.8	.093	.077	2.7	∅	∅	∅			
Procedural justice	-.098	.056	1.9	-.070	.062	1.9	∅	∅	∅			
Distributive justice	.232***	.055	1.4	.243***	.060	1.4	.226***	.055	1.2			
Organization support	.058	.094	2.9	.122	.102	2.9	.124*	.081	1.9			
Coworker support	.154**	.062	1.7	.133**	.069	1.7	.166***	.061	1.5			
Leader support	.238**	.064	2.6	.234**	.070	2.6	.270***	.057	1.9			
Long-term investm. in HRM	.119**	.061	1.3	∅	∅	∅	∅	∅	∅			
HRM professionalism	.113**	.031	1.5	∅	∅	∅	∅	∅	∅			
Strategic fit	∅	∅	∅	.139**	.061	1.3	.129**	.055	1.2			
DEPENDENT VARIABLE	HRM Sophistication			HRM Sophistication			HRM Sophistication					
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	9.5	0.65	0.58	73	7.4	0.56	0.48	68	17.7	0.54	0.51	38

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.001 /  $\beta$  = stand. coeff. / \*CI = Condition Index /

Ø = Variable not included in model

*Model 1 shows evidence supporting hypotheses 1 and 2* in terms of an influence on HRM sophistication of a long-term investment in the HRM practices and HRM professionalism<sup>416</sup>. It is reasonable that a long-term investment in HRM and HR professionalism at least each on their own should be significantly correlated with the sophistication of the HRM system. Rather than conceptualizing them as simply

<sup>416</sup> To the extent that we include each of these variables in turn 'Long-term investment' is significant at p = .004 (one-tailed test) and 'HRM professionalism' at p = 0.0006 (one-tailed test). These analyses are not shown here.

competing explanations it might be argued that a longterm investment should mediate the influence of HR professionalism. In any case, in particular as the data on the independent and dependent variables were obtained from different respondents, it also gives some common sense “validity check” on our construct of HRM sophistication when including the controls.

*Model 2 provides some support for hypothesis 3* in terms of a relation between Strategic fit and HRM sophistication. In this model we have not included 'Recent radical improvements in HRM' since it may be argued that this is an irrelevant control for the *current* strategic fit of the HRM practices. (Including the variable makes 'Strategic fit' insignificant). Model 2b exhibits the result of applying backward selection based upon Model 2 as explicated in section 8.5.

The evidence in terms of Models 2 and 2b provide some justification for continuing to test our model in line with the hypotheses which posits that the influence(s) of strategic fit should be mediated by HRM sophistication (see the theorization in section 3.3.2.3). These results at least indicate that strategic fit and (soft) HRM sophistication do not appear to be outright contradictory phenomena which does not mean that they may not have certain opposite influences<sup>417</sup>.

## **9.2 HRM AND ORGANIZATIONAL PERFORMANCE: THE DIRECT RELATIONSHIP**

As a first more or less corroborative test we analyze three models (exhibited in Table 27), one of each of the organizational performance variables in which we at this stage exclude the intermediate variables included in the suggested overall model.

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<sup>417</sup> However, the fact that this relationship is not stronger might be due to several reasons. Strategic fit may be an elusive phenomenon to judge for superiors. Strategic fit might not play a strong role in the sophistication of HRM as judged by general employees. Organizations may not have reached very sophisticated levels of strategic fit. Superiors' evaluations of strategic fit might be systematically biased somehow. The implementation of strategic fit (reflected in employee perceptions of HRM sophistication) might not correspond to the intended strategic fit and the latter might be what superiors on average evaluate etc.. In any case, as already noted at the end of section 8.3.1 the superior's and subordinate consultant's judgements about strategic fit appear to have fairly little in common at least in terms of bivariate correlations. This should obviously make us cautious in interpreting the results of these analyses. Nevertheless, we will proceed by assuming that the superior's judgements about explicit strategic fit are (more) adequate.

Table 27.

Variables	Model 3			Model 4			Model 5					
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF			
Constant	2,83 **	1,00	-	5,6 **	2,13	-	,604	2,6	-			
Number of earlier employers	,029	,087	2,2	-,196 **	,184	2,2	,09	,222	2,2			
Employee age	-,073	,073	2,5	-,104	,154	2,5	-,114	,186	2,5			
Employee tenure	,014	,073	1,6	,051	,154	1,6	,082	,186	1,6			
Perceived job opportunities	-,046	,065	1,5	-,137 *	,136	1,5	,186 **	,164	1,5			
Recent job offers	,107 *	,030	1,3	,037	,063	1,3	-,182 **	,077	1,3			
Workload	,027	,075	1,7	-,242 **	,159	1,7	-,178 **	,191	1,7			
Too big demands	-,120 *	,054	1,6	,116	,114	1,6	,218 **	,137	1,6			
Rec. rad. improvem in HRM	-,142 *	,078	1,7	-,207 **	,166	1,7	-,066	,200	1,7			
Hierarchy	-,083	,043	1,3	-,113	,090	1,3	-,022	,109	1,3			
Prospects of organiz. perf.	-,061	,080	1,7	,163 *	,169	1,7	,187 **	,204	1,7			
Organizational image	,169 **	,058	1,4	,055	,122	1,4	,162 **	,147	1,4			
Prob. of partnership status	,132 *	,034	1,4	,003	,072	1,4	,147 *	,087	1,4			
Strategy	,148 **	,044	1,3	,049	,093	1,3	,056	,112	1,3			
Competition	,368 ***	,049	1,2	-,092	,103	1,2	-,053	,124	1,2			
Organization size	,039	,078	1,4	,119	,164	1,4	-,262 **	,198	1,4			
Interactional justice	-,132	,099	2,7	-,008	,208	2,7	-,243 **	,251	2,7			
Procedural justice	,036	,079	1,9	,095	,166	1,9	,158 *	,200	1,9			
Distributive justice	,041	,089	1,5	-,016	,171	1,5	,101	,206	1,5			
Organization support	-,118	,131	3,0	,113	,278	3,0	,108	,334	3,0			
Coworker support	-,130 *	,088	1,8	-,228 **	,185	1,8	,074	,223	1,8			
Leader support	,161 *	,091	2,7	-,158	,192	2,7	-,071	,232	2,7			
HRM sophistication	,281 **	,128	2,7	,305 **	,270	2,7	-,110	,325	2,7			
Strategic fit	,171 **	,079	1,4	,187 **	,166	1,4	,108	,200	1,4			
DEPENDENT VARIABLE	Organizat. perf: quality			Organizat. perf: profitability			Employee retention					
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	3,7	0,43	0,31	80	1,7	0,26	0,11	80	1,6	0,24	0,09	80

One-tailed sig. test: \*  $p < .10$  / \*\*  $p < .05$  / \*\*\*  $p < .001$  /  $\beta$  = stand. coeff. / \*CI = Condition Index /

Ø = Variable not included in model

Here we only note that *Model 3* supports hypotheses 4a and 4b and that *Model 4* supports hypotheses 5a and 5b. These hypotheses concern the direct relationships between strategic fit/HRM sophistication and organizational performance in terms of quality and profitability respectively. Although somewhat difficult to compare due to the different conceptualizations/operationalizations, the results appear compatible with much of the research as reviewed in chapter 6.

*Model 5* does not give support for either hypothesis 4c or 5c, i.e. for a direct relationship between either strategic fit or HRM sophistication and employee retention. It may also be noted that Model 5 is only weakly significant overall indicating that the variables as a whole do not adequately explain the variation in *voluntary* employee turnover. The same argument applies to Model 4. These results are not incompatible with earlier research. Huselid found only a weakly significant relationship between one of his HRM variables and *voluntary and involuntary* employee turnover (1995, p. 657). Arthur found a statistically significant difference in correlations between what he called control (HRM) systems versus commitment (HRM) systems and *voluntary and involuntary* employee turnover. The bivariate correlation between the HRM system variable and the employee turnover variable was

high but insignificant (*ibid.*, p. 681). Again however, these results are somewhat difficult to compare due to different conceptualizations/operationalizations. In addition to the theoretically different nature of the employee turnover variables in these two studies and the current one, the sampled contexts may also be very different with reference to this particular outcome.

That our analyses at least with reference to the organizational performance variables in terms of quality and profitability are compatible with earlier research arguably indicates a certain relevance with reference to earlier studies of our conceptualizations/operationalizations. For now we will leave these results and return to them later<sup>418</sup>.

### 9.3 HRM'S RELATIONSHIPS WITH INTERMEDIATE ATTITUDES

**HRM and psychological empowerment.** The results of our tests of hypothesis 6 postulating HRM sophistication as a sufficient antecedent to psychological empowerment are exhibited in Table 28. In these equations we also test a potential direct relationship between 'Strategic fit' and 'Psychological empowerment'.

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<sup>418</sup> It may be noted that some of the employee related controls in these equations are superfluous/inadequate in relation to the variable 'Strategic fit' and may lead to wrong estimates of the relationships between the latter and the outcome variables. This would perhaps most clearly concern employee age and tenure. The rest of the variables are treated here as reflecting organizational phenomena. However, we include all controls since also age and tenure arguably are relevant "validity increasing" variables with reference to 'HRM sophistication'. In fact, excluding 'age' and 'tenure' does not change the results with reference to 'Strategic fit'.

Table 28.

Variables	Model 6			Model 7			Model 8			Model 9			Model 10			Model 10b								
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF						
Constant	1,87 **	,610	-	2,8 ***	,625	-	2,6 ***	,638	-	2,6 ***	,633	-	1,5 **	,666	-	1,59 ***	,441	-						
Number of earlier employers	,178 **	,064	2,1	,147 *	,069	2,0	,132 *	,069	2,0	,128 *	,069	2,0	,155 **	,066	2,2	,226 ***	,046	1,1						
Employee age	,118	,055	2,4	,092	,059	2,4	,084	,059	2,4	,088	,059	2,4	,116	,056	2,5	∅	∅	∅						
Employee tenure	-,036	,054	1,5	-,027	,058	1,5	-,019	,058	1,5	-,008	,058	1,5	-,042	,055	1,5	∅	∅	∅						
Prob. of partnership status	,045	,025	1,4	,079	,027	1,4	0,83	,027	1,4	,058	,027	1,4	,057	,026	1,4	∅	∅	∅						
Workload	,344 ***	,054	1,5	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅						
Too big demands	-,123 **	,039	1,5	,001	,040	1,3	-,004	,040	1,3	-,002	,039	1,3	,059	,038	1,3	∅	∅	∅						
Rec. rad. improvem in HRM	,058	,052	1,3	,037	,056	1,3	,021	,057	1,3	-,032	,061	1,6	-,035	,057	1,6	∅	∅	∅						
Hierarchy	,006	,030	1,1	,016	,032	1,1	,026	,032	1,1	,002	,032	1,1	,036	,032	1,3	∅	∅	∅						
Prospects of organiz. perf.	,158 **	,057	1,4	,235 ***	,060	1,4	,221 **	,061	1,4	,196 **	,061	1,4	,160 **	,060	1,6	,159 **	,052	1,2						
Organizational image	,029	,044	1,4	,090	,046	1,4	,071	,047	1,4	,063	,046	1,4	,057	,044	1,4	∅	∅	∅						
Strategy	-,118 **	,055	1,2	-,188 **	,058	1,2	-,211 **	,059	1,2	-,215 **	,059	1,2	-,207 **	,056	1,3	∅	∅	∅						
Organization size	-,104 **	,031	1,1	-,056	,033	1,1	-,061	,033	1,1	-,075	,033	1,1	-,077	,031	1,1	-,227 ***	,051	1,1						
Interactional justice	,392 ***	,059	1,7	,398 ***	,064	1,7	,388 ***	,064	1,7	,337 ***	,067	1,9	,163 **	,075	2,6	,224 **	,058	1,7						
Procedural justice	,000	,057	1,7	-,027	,062	1,7	-,038	,062	1,7	-,032	,061	1,7	-,091	,060	1,9	∅	∅	∅						
Distributive justice	,056	,057	1,3	,005	,060	1,3	,020	,061	1,3	-,027	,064	1,4	-,033	,061	1,5	∅	∅	∅						
Strategic fit	∅	∅	∅	∅	∅	∅	,107 *	,062	1,3	,092	,062	1,3	,115 **	,059	1,4	,130 **	,054	1,2						
HRM sophistication	∅	∅	∅	∅	∅	∅	∅	∅	∅	,169 **	,095	2,3	,048	,095	2,6	∅	∅	∅						
Organization support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,146 **	,067	1,7	,238 **	,079	1,9						
Coworker support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,271 **	,096	2,6	,174 **	,061	1,5						
Leader support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,081	,070	2,7	∅	∅	∅						
DEPENDENT VARIABLE	Psychological empowerment			Psychological empowerment			Psychological empowerment			Psychological empowerment			Psychological empowerment			Psychological empowerment								
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	10,0	0,54	0,49	51	7,8	0,47	0,41	47	7,5	0,47	0,4	49,6	7,3	0,49	0,42	52	7,9	0,56	0,49	65	20,9	0,52	0,49	31

One-tailed sig. test: \* p<.10 / \*\* p<.05 / \*\*\* p<.001 /  $\beta$  = stand. coeff. / \* CI = Condition Index / Ø = Variable not included in model

We begin the analyses by formulating a preliminary control equation presented in Model 6. It can be noted that if we exclude 'Interactional justice' in Model 6, then 'Procedural justice' is significant. These results are fully in line with the argument that in work-settings involving frequent interactions with superiors, interactions are likely to be more important than procedures in determining employee attitudes (Moorman, 1991, p. 852). In Model 6 'Workload' has a significant positive relation with 'Psychological empowerment'. Since the purpose and meaningfulness of 'Workload' in this context was to control for the potential negative impact of workload we will exclude this variable from further analyses. The assumed negative impact seems to be captured by one component of the original construct of workload which in our validation analyses turned out to be a separate variable, i.e. 'Too big demands'. Thus it seems that workload as exhibited in the sample is largely compatible with psychological empowerment but, quite plausibly, when the demands on employees (which may include other things than work-load or amount of work) reaches a certain limit then such demands begin to have a negative influence. Our basic control equation is thus exhibited in Model 7<sup>419</sup>.

In Model 8 'Strategic fit' is significant. It can be noted that excluding 'Interactional justice' in Model 8 makes 'Strategic fit' significant at the 0.05 level<sup>420</sup>.

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<sup>419</sup> We can note that 'Too big demands' is insignificant if we exclude 'Workload' from the equation. Thus, the potential systematic influence of too big demands on psychological empowerment seems to be significantly discernible only when we control for the general positive relationship between 'Workload' and 'Psychological empowerment'. Also the variable 'Strategy' becomes insignificant if 'Workload' is left out. Thus, also the (somewhat unsuspected) negative relationship between 'Psychological empowerment' and 'Strategy' only seems to become discernible when we in (in addition to all the other controls) control for workload. In other words, also this relationship seems to "drown" under the general positive relationship between 'Workload' and 'Psychological empowerment'. Although not of immediate concern in this study, the tendency for a negative relationship between a high quality strategy and psychological empowerment is interesting (even apparently paradoxical) in itself. (This result is however interesting only if we interpret workload to causally influence psychological empowerment. As our a priori reason for including workload was that we assumed it to be negatively causally influential but it turned out positive, we will in these analyses interpret it as merely correlational). In any case, since the evidence indicates that both a high quality strategy and too big demands on employees may tend to have a negative impact on psychological empowerment we will keep these two controls even if they turned insignificant without the control of general workload. It can also be noted that if we exclude 'Number of earlier employees', then 'Employee age' becomes significant. As a starting point we want to pay some attention to these results, only remotely related to our hypotheses, because in general these results show how sensitive results are to different controls. This only bears witness to the fact that the conceptual/theoretical justification of including/excluding controls is of great importance. Controls may not only render some correlations insignificant. They may also bring to light latent correlations (Cliff, 1987, p. 109).

<sup>420</sup> Although we could establish some discriminative validity between 'Interactional justice' and 'Leader support' (when controlling for random measurement and systematic error of the manifest variables), these constructs are conceptually very closely related. In fact it might be argued that 'Interactional justice' does not measure solely the justice related components of interactions but includes more general leader support. However, in the following analyses we will attempt to treat 'Interactional justice' as a valid measure, i.e. as measuring what it should measure. Thus, although it could be treated as a variable concerned with sociopolitical support on par with the explicit sociopolitical support variables ('Organization support', 'Leader support' and 'Coworker support') we will treat it separately in the following analyses.



In Model 9 we included also 'HRM sophistication'. This construct is significant and thus *offers some initial tentative support for hypothesis 6*. While the results indicate that 'Strategic fit' has no direct significant relationship with 'Psychological empowerment', Models 2 and 9 together offer some tentative initial evidence, in line with our overall model, of the (possibly significant) but arguably weak influence of 'Strategic fit' as mediated by 'HRM sophistication'<sup>421</sup>.

In Model 10, where we included the controls in terms of sociopolitical support, 'HRM sophistication' is no longer significant. Although not shown here 'HRM sophistication' is not significant even when excluding 'Strategic fit'. *Thus, with the full set of our controls there is no support for either hypothesis 6 or for the mediated effect of strategic fit as postulated by our model*. 'HRM sophistication' is in fact insignificant even if we only include any one of the support-related variables separately. This is the case even if we exclude all the insignificant controls in Model 10. Thus, we cannot say that HRM sophistication has any sufficient significant direct effect on psychological empowerment independent of our controls<sup>422</sup>.

It is interesting to note that the weak significance exhibited by 'Strategic fit' in Model 8, and the non-significance in Model 9 in fact increased when we include the sociopolitical controls in Model 10<sup>423</sup>. Thus after all, the result of Model 10 gives some support for a direct relationship between strategic fit and psychological

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<sup>421</sup> When excluding all the insignificant controls the analyses again indicate that this mediated influence may be stronger. However, including the controls seems to us more correct.

<sup>422</sup> It can be argued that it would be relevant and interesting to include our employee performance constructs and our organizational performance constructs as controls when analyzing the antecedents to our focal intermediate attitudinal constructs. The performance of individual employees and organizational performance might very well influence (bias) the attitudes of the employees. They may also differently influence (bias) the attitudes of the employees towards the sophistication of the HRM system. The performance variables *should* according to our model be related to (i.e. causally dependent on) both HRM and psychological empowerment. However, to the extent that we could achieve significant relations between our HRM variables and our intermediate variables (e.g. psychological empowerment) independent of employee and organizational performance, we could at least rule out that such potential (either substantially and/or attributionally biasing) reverse causations might fully explain any relationships between HRM and our intermediate attitudes (e.g. psychological empowerment). The meaningfulness of such controls depends on the assumption that HRM explains more of the variation in the intermediate variables than in the more ultimate (employee and organizational performance) dependent variables. This seems as a fair assumption. Thus, controlling for employee and organizational performance may clearly lead to under-estimations of the hypothesized relationships between HRM and our intermediate attitudinal variables. However, it may even be that a relationship between e.g. HRM and psychological empowerment only becomes discernible when we control for such potential reverse causations (biases), in particular as the attributionally biasing reverse causation on psychological empowerment might be considerable. There may clearly also be such an attributionally biasing reverse causation from organizational performance to the evaluations of employee performance. Below when reaching some more substantial, albeit exploratory, results we will thus include also these performance variables as controls.

<sup>423</sup> When excluding 'HRM sophistication' in Model 10 the significance of 'Strategic fit' is 0.045 as opposed to 0.053 when including the former. The relatively small difference (again) shows that the strategic component included in 'HRM sophistication' is small. As a consequence, also when we are interested exclusively in the role of strategic fit (as judged by superiors) the HRM system construct seem to be a relatively acceptable control.

empowerment. It is interesting that the variable most responsible for causing this increase in significance is 'Organizational support'. We will return to an interpretation of these results concerning strategic fit in section 9.3.5 below. Finally, Model 10b is the result of applying backward selection (see section 8.5) to Model 10. Model 10b supports the same theoretically relevant relationships as does Model 10. The main difference is that 'Strategic fit' is more significant in Model 10b.

We will now proceed by analyzing the direct relations between HRM and our other focal intermediate attitudinal constructs. After that we will return to some reflections upon the results of the tests for HRM's direct influence on all the postulated intermediate attitudinal constructs.

**HRM and affective value commitment.** The results of our test of hypothesis 8a postulating HRM sophistication as a sufficient antecedent to affective value commitment are exhibited in Table 29. In these equations we also test a potential direct relationship between 'Strategic fit' and 'Affective commitment'.

Table 29.

Variables	Model 11			Model 12			Model 13			Model 14			Model 15			Model 16			Model 16b									
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF							
Constant	2,17***	,065	-	3,31***	,575	-	3,13***	,592	-	3,20***	,586	-	2,19***	,625	-	1,54**	,573	-	1,93***	,490	-							
Number of earlier employers	,120*	,006	2,1	,082	,064	2,1	,084	,064	2,1	,080	,064	2,1	,115*	,062	2,2	,045	,056	2,2	∅	∅	∅							
Employee age	,050	,054	2,4	,026	,055	2,4	,027	,055	2,4	,031	,054	2,4	,062	,053	2,5	,010	,048	2,5	∅	∅	∅							
Employee tenure	-,064	,054	1,5	-,088	,054	1,5	-,089	,054	1,5	-,077	,054	1,5	-,107*	,052	1,5	-,088*	,046	1,5	-,067	,038	1,1							
Prob. of partnership status	,223**	,025	1,4	,223**	,025	1,4	,222**	,025	1,4	,193**	,025	1,4	,195**	,024	1,4	,169**	,022	1,4	,163**	,021	1,3							
Perceived job opportunities	,155**	,047	1,4	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅							
Recent job offers	,041	.,022	1,3	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅							
Workload	,075	,054	1,6	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅							
Too big demands	-,131**	,039	1,5	-,108	,037	1,3	-,108*	,037	1,3	-,105*	,036	1,3	-,048	,036	1,6	-,075	,032	1,3	-,087*	,030	1,2							
Rec. rad. improvem in HRM	,054	,052	1,3	,050	,052	1,3	,052	,053	1,3	-,009	,056	1,5	-,022	,054	1,4	-,066	,048	1,6	∅	∅	∅							
Hierarchy	,012	,029	1,1	,030	,029	1,1	,029	,030	1,1	,002	,030	1,1	,028	,030	1,1	,011	,027	1,3	∅	∅	∅							
Prospects of organiz. perf.	,208**	,056	1,4	,225**	,056	1,4	,226**	,056	1,4	,197**	,057	1,4	,180**	,056	1,3	,107*	,052	1,6	,130**	,046	1,4							
Organizational image	-,025	,043	1,4	-,003	,043	1,3	,000	,043	1,4	-,010	,043	1,4	-,010	,041	2,6	-,035	,037	1,4	∅	∅	∅							
Strategy	,144**	,032	1,2	,114**	,031	1,1	,115**	,031	1,1	,099*	,031	1,1	,090	,030	1,9	,125**	,027	1,1	,112**	,025	1,1							
Organization size	-,155**	,056	1,3	-,167**	,053	1,2	-,165**	,055	1,2	-,169**	,054	1,2	-,164*	,052	1,5	-,071	,049	1,3	-,083*	,046	1,2							
Interactional justice	,355***	,058	1,7	,382***	,059	1,7	,383***	,059	1,7	,324***	,062	1,9	,240**	,070	1,3	,166**	,064	2,7	,128*	,059	2,4							
Procedural justice	-,070	,056	1,7	-,088	,057	1,7	-,086	,057	1,7	-,080	,057	1,7	-,088	,056	2,6	-,047	,051	1,9	∅	∅	∅							
Distributive justice	,154**	,056	1,3	,147**	,056	1,3	,145**	,056	1,3	,091	,059	1,4	,078	,057	2,6	,093*	,051	1,5	∅	∅	∅							
Strategic fit	∅	∅	∅	∅	∅	∅	,013	,058	1,3	-,031	,058	1,3	-,014	,056	1,7	-,065	,051	1,4	-,082**	,046	1,2							
HRM sophistication	∅	∅	∅	∅	∅	∅	∅	∅	∅	,195**	,088	1,3	,137*	,090	2,7	,115*	,081	2,6	,142*	,066	1,8							
Organization support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,263**	,090	2,6	,140*	,083	2,8	,174**	,072	2,2							
Coworker support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,140**	,063	1,7	,074	,057	1,8	∅	∅	∅							
Leader support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	-,130*	,066	2,7	-,167**	,059	2,7	-,168**	,056	2,5							
Psych. empowerment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,452***	,077	2,3	,465***	,070	2,0							
DEPENDENT VARIABLE	Affective value commitment			Affective value commitment			Affective value commitment			Affective value commitment			Affective value commitment			Affective value commitment			Affective value commitment									
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	7,7	0,52	0,46	59	8,3	0,48	0,42	47	7,7	0,48	0,42	50	7,6	0,50	0,43	52	7,8	0,55	0,48	65	10,7	0,64	0,58	67	17,9	0,63	0,59	47

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.001 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

Model 11 exhibits our basic control equation without the sociopolitical controls. As in our analyses of the relationship between HRM and psychological empowerment, the negative effect of workload is again picked up by the variable 'Too big demands'. It can further be noted that 'Recent job offers' is not significant at all but becomes positively weakly significant (one-sided test at the 0.1 significance level) if we exclude 'Perceived job opportunities'. Because the meaning of including 'Workload', 'Perceived job opportunities' and 'Recent job offers' was to control for their potential negative influence on 'Affective commitment' we will exclude them from further analyses<sup>424</sup>.

It can be noted that in distinction to what was the case with reference to 'Psychological empowerment' interestingly 'Distributive justice' is significant in relation to 'Affective commitment'. This indicates that in so far as employees tend to be affectively value committed they are more concerned about distributive justice compared to employees who tend to be psychologically empowered. This may also offer some understanding of the different relations to performance exhibited by affective value commitment and psychological empowerment (below)<sup>425</sup>. In similar distinction it is also interesting to note that a high quality strategy plausibly seems to be positively related to 'Affective commitment'. Finally, 'Interactional justice' is also in this case highly significant and relatively a lot more important predictor than 'Procedural justice'. Again this result supports the arguments provided by Moorman (1991, p. 852) noted in connection to the analyses of antecedents to 'Psychological empowerment'. Our basic control equation for 'Affective commitment' is exhibited in Model 12. It can be noted that 'Too big demands' stays significant even when excluding 'Workload'. This provides plausible evidence for the fact that 'Too big

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<sup>424</sup> In line with Everitt and Dunn (1991, pp. 147-148) we will test whether any of these variables becomes significantly (negatively) related to 'Affective commitment' in the following analyses. If they do, they will be reported. Although against our expectations, it is intelligible and interesting that the phenomena related to job opportunities seem to be positively related to affective value commitment. To the extent that an employee feels the presence of alternative job opportunities it may induce a feeling of being well at ease with the current situation which in turn may plausibly lead to, or at least be congruent with, affective value commitment. This is in apparent sharp contrast to Iverson and Buttigieg (1999) where the (LISREL) correlation between their notion of affective commitment and job opportunities was -.30 (*ibid.*, p. 320). The zero-order correlation coefficients between the corresponding composite scores in our study are 0.18 for perceived job opportunities and 0.15 for recent job offers. Allen and Meyer refer to evidence of varying degrees of correlations (both positive and negative) between unidentified measures/samples of "perceived alternatives" and ACS but no significant positive correlations (1996, p. 265). The difference between our correlations and that reported by Iverson and Buttigieg (1999) may be due to the different samples. Iverson and Buttigieg studied employees working at different locations of a fire fighter and rescue service in Australia (*ibid.*, p. 315). It may well be that the different contexts, e.g. the general availability of potential alternative jobs and general satisfaction with the work may explain the different correlations. The somewhat different constructs of affective commitment as well as the differences in the control variables may also contribute to these differences. In any case the above differences are striking. On the other hand, the bivariate correlations between our notion of affective commitment and organization support, supervisor support, interactional justice and procedural justice are more or less in line with evidence of correlations between the latter variables and ACS in earlier research as reported in Allen and Meyer (1996, p. 265).

<sup>425</sup> This evidence is in conflict with at least some reported evidence the details of which we do not have (Moorman and Niehoff, 1993). More in line with earlier evidence is the fact that compared to distributive justice, interactional justice is more correlated with affective value commitment (*ibid.*).

demands' is a more robust predictor/explanatory factor of 'Affective commitment' than of 'Psychological empowerment'. Thus, while some correlations taken at face value are different than corresponding ones in earlier studies, we argue that in general these results are intelligible and represent evidence as to the "face validity" of our data.

In Model 13 we included 'Strategic fit'. The result shows that 'Strategic fit' is not significant even excluding the controls in terms of sociopolitical support. The inclusion of the sociopolitical controls does not change this result as it did with reference to 'Psychological empowerment'.

In Model 14, still without the sociopolitical support variables, we included 'HRM sophistication'. It is clearly significant. In fact, its significance is not affected by excluding 'Strategic fit' which simply reflects the fact that the component of strategic fit in 'HRM sophistication' does not have any explanatory role with reference to 'Affective commitment'. In any event these results *give some initial tentative support for hypothesis 8a*.

When we include the sociopolitical support variables in Model 15 'HRM sophistication' is only weakly significant (one-tailed test,  $p = 0.087$ ) thus *providing only weak indicative support for a direct relationship between 'HRM sophistication' and 'Affective commitment'*. It can be noted that the importance of leader-behavior for affective value commitment is accounted for by 'Interactional justice' rather than 'Leader support'. As noted earlier these are conceptually closely related to each other. However, 'Leader support' is simply highly insignificant if we exclude 'Interactional justice' whereas excluding 'Leader support', 'Interactional justice' is still significant and positive. In fact, 'Leader support' is not significant even if we in addition to 'Interactional justice' also exclude 'Organization support' and 'Coworker support'. In the latter case the correlation is however positive<sup>426</sup>.

In Model 16 we included 'Psychological empowerment'. In line with our arguments (see section 8.2.2) the results show that 'Psychological empowerment' seems to have a strong direct relationship with 'Affective commitment'. In Model 16 'HRM sophistication' is still only very weakly significant (one-tailed test,  $p = 0.097$ ) thus offering only very weak support for a direct relationship between 'HRM sophistication' and 'Affective commitment'. However, the backward selected Model 16b supports a direct relationship between 'HRM sophistication' and 'Affective

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<sup>426</sup> The somewhat implausible weakly (and in the next equation more strongly) significant negative apparent influence of 'Leader support' must be interpreted with caution. It reflects its residual relation to 'Affective commitment' when also accounting for all the other relationships in the model. The discriminative validity between 'Leader support', 'Coworker support', 'Organization support', 'Procedural justice' and 'Interactional justice' is far from perfect. Although our validity-analyses gave support for some discriminative validity between these constructs, in the studied organizations the respondents' interpretations of support from "colleagues" or coworkers might e.g. also include perceptions of at least some of the support received from superiors etc.. Nevertheless, severe multicollinearity problems are not indicated by the VIF values.

commitment'. The combined evidence of Models 16 and 16b is thus somewhat ambiguous with reference to hypothesis 8a<sup>427</sup>.

**HRM and affective continuance commitment.** The results of our test of hypothesis 8b postulating HRM sophistication as a sufficient antecedent to affective continuance commitment are exhibited in Table 30<sup>428</sup>. In these equations we also test a potential direct relationship between 'Strategic fit' and 'Continuance commitment'.

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<sup>427</sup> Again, when excluding the other support related variables and/or 'Interactional justice' then 'Leader support' is simply insignificant.

<sup>428</sup> In these analyses the standard errors tend to be larger. Rather than being the result of problems related to multicollinearity this is arguably the result of the fact that the standard deviation of 'Continuance commitment' is larger than that for the other focal intermediate variables.

Table 30.

Variables	Model 17			Model 18			Model 19			Model 20			Model 21			Model 22			Model 22b									
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF							
Constant	,983	1,40	-	1,05	1,42	-	1,15	1,44	-	-,522	1,44	-	-,49	1,425	-	-,841	1,46	-	,04	,915	-							
Number of earlier employers	,071	,136	2,1	,074	,137	2,1	,071	,138	2,1	,094	,132	2,2	,144 *	,135	2,4	,14 *	,135	2,3	,146 *	,114	2,1							
Employee age	,111	,115	2,4	,113	,116	2,4	,114	,116	2,4	,135	,111	2,5	,168 *	,111	2,6	,17 *	,111	2,5	,162 *	,099	2,5							
Employee tenure	-,081	,115	1,5	-,084	,116	1,5	-,081	,116	1,5	-,123 *	,111	1,5	-,129 *	,110	1,6	-,12 *	,110	1,5	-,122 *	,092	1,5							
Prob. of partnership status	,259 **	,053	1,3	,257 **	,054	1,3	,249 **	,055	1,4	,257 **	,052	1,4	,269 ***	,051	1,4	,25 **	,053	1,5	,273 ***	,044	1,3							
Perceived job opportunities	-,041	,083	1,4	-,041	,084	1,4	-,039	,084	1,4	,039	,082	1,5	,058	,101	1,7	,06	,101	1,6	∅	∅	∅							
Recent job offers	-,198 **	,116	1,5	-,195 **	,117	1,5	-,198 **	,118	1,5	-,239 **	,112	1,6	,002	,045	1,3	,00	,045	1,3	∅	∅	∅							
Workload	,059	,100	1,4	,059	,100	1,4	,052	,102	1,4	,010	,098	1,5	-,181 **	,117	1,8	-,17 **	,118	1,8	∅	∅	∅							
Too big demands	-,036	,048	1,3	-,036	,048	1,3	-,035	,048	1,3	-,003	,045	1,3	,030	,081	1,6	,04	,081	1,6	-,179 **	,083	1,2							
Rec. rad. improvem in HRM	,173 **	,111	1,3	,178 **	,113	1,3	,159 **	,123	1,6	,141 *	,117	1,6	,147 **	,116	1,7	,15 **	,116	1,6	∅	∅	∅							
Hierarchy	-,064	,063	1,1	-,067	,063	1,1	-,074	,064	1,1	-,035	,064	1,3	-,035	,064	1,3	-,04	,064	1,3	,143 **	,086	1,1							
Prospects of organiz. perf.	,150 **	,120	1,4	,152 **	,121	1,4	,144 *	,123	1,4	,101	,121	1,6	,125 *	,121	1,7	,11	,122	1,7	∅	∅	∅							
Organizational image	,061	,091	1,3	,065	,093	1,4	,063	,093	1,4	,060	,088	1,4	,064	,087	1,4	,07	,087	1,4	,129 **	,097	1,3							
Strategy	-,016	,070	1,2	-,015	,070	1,2	-,021	,071	1,2	-,024	,067	1,2	-,033	,066	1,2	-,05	,068	1,3	∅	∅	∅							
Organization size	,049	,119	1,3	,055	,123	1,3	,054	,123	1,3	,063	,118	1,4	,030	,119	1,5	,04	,120	1,5	∅	∅	∅							
Interactional justice	,034	,125	1,6	,037	,125	1,6	,020	,133	1,8	-,182 *	,150	2,7	-,136	,151	2,8	-,15 *	,153	2,8	∅	∅	∅							
Procedural justice	,022	,120	1,7	,026	,121	1,7	,027	,122	1,7	-,045	,119	1,9	-,054	,118	1,9	-,05	,118	1,9	∅	∅	∅							
Distributive justice	,152 **	,119	1,2	,149 **	,120	1,3	,133 *	,129	1,5	,122 *	,123	1,5	,127 *	,121	1,5	,12 *	,122	1,5	,103 *	,099	1,2							
Strategic fit	∅	∅	∅	-,026	,123	1,3	-,031	,124	1,3	-,002	,119	1,3	,015	,119	1,4	,02	,119	1,4	∅	∅	∅							
HRM sophistication	∅	∅	∅	∅	∅	∅	,056	,191	2,3	-,077	,190	2,6	-,084	,188	2,6	-,10	,189	2,6	∅	∅	∅							
Organization support	∅	∅	∅	∅	∅	∅	∅	∅	∅	,285 **	,198	2,9	,322 ***	,199	3,0	,30 **	,201	3,0	,243 **	,132	1,7							
Coworker support	∅	∅	∅	∅	∅	∅	∅	∅	∅	,195 **	,133	1,7	,234 **	,135	1,8	,23 **	,135	1,8	,231 **	,107	1,4							
Leader support	∅	∅	∅	∅	∅	∅	∅	∅	∅	,108	,138	2,7	,128	,137	2,7	,15 *	,139	2,8	∅	∅	∅							
Psych. empowerment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	-,224 **	,202	2,9	-,28 **	,222	3,5	-,210 **	,153	2,0							
Aff. value commitment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	,13	,214	2,8	∅	∅	∅							
DEPENDENT VARIABLE	Affective Continuance Commitment			Affective Continuance Commitment			Affective Continuance Commitment			Affective Continuance Commitment			Affective Continuance Commitment			Affective Continuance Commitment			Affective Continuance Commitment									
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	3,7	0,34	0,25	58	3,5	0,34	0,24	61	3,3	0,34	0,24	65	4,0	0,43	0,33	74	4,0	0,45	0,34	76	3,9	0,46	0,34	84	9,1	0,41	0,36	39

One-tailed sig. test: \* p<.10 / \*\* p<.05 / \*\*\* p<.001 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

Model 17 represents our basic control equation. Interestingly, in distinction to what seemed to be the case with reference to psychological empowerment and affective commitment, the general level of workload seems plausibly to be significantly negatively related to continuance commitment. Further it is interesting to note the fairly strong influence recent radical improvements in HRM might tend to have on perceptions of continuance commitment. In equal distinction to what was the case with reference to 'Psychological empowerment' and 'Affective commitment', 'Interactional justice' is not significant when included in this equation. These results also represent a further indication of the earlier established distinct nature of 'Affective commitment' and 'Continuance commitment'. Although not shown here, 'Job opportunities' and 'Job offers' are not significant even when excluding 'Too big demands' and 'Workload'. These results thus, in some apparent distinction to the results of Iverson and Buttigieg (1999, p. 323) offer no support for the fact that affective continuance commitment in this sample would be relatively highly dependent on available job alternatives<sup>429</sup>. That some sort of "ease of movement" has an influence on continuance commitment, is however supported by the fact that 'Age' is significant if we in Model 17 exclude the related construct 'Number of earlier employers' (compare Mayer and Shoorman, 1998, p. 19).

In Model 18 we included 'Strategic fit'. The results show that this construct is not significantly related to 'Continuance commitment'. This result is not affected by the inclusion of the sociopolitical controls, 'Psychological empowerment' or even 'Affective commitment'.

In Model 19 we included 'HRM sophistication' which is not significant even excluding the sociopolitical controls. The inclusion of further control variables in the following equations does not change this result. Although not shown here, 'HRM sophistication' is not significant even if we exclude 'Strategic fit'. Thus, there seem to be no support for a direct relationship between HRM sophistication and affective continuance commitment. *This evidence offers no support for hypothesis 8b.*

In Model 20 we entered the sociopolitical controls. The results indicate that at least 'Organization support' and 'Coworker support' are significantly related to 'Continuance commitment'. When entered without the other sociopolitical controls also 'Leader support' is significant.

Interestingly, in Model 21 'Psychological empowerment' is negatively and significantly related to 'Continuance commitment'. On the basis of current theorizing this seems somewhat unexpected (see section 8.2.2). The result indicates that some of the objectives of organizational policy might be mutually difficult to realize, i.e. to empower individuals and simultaneously to increase their desire to stay with the organization. The result might be interpreted as being due to the fact that, given the

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<sup>429</sup> Iverson and Buttigieg used two subscales for continuance commitment in terms of low perceived alternatives and high sacrifice of leaving (1999, p. 315; 319). In their analyses job opportunities were negatively related to both of these sub-scales (ibid., p. 323). More evidence of negative relationships between continuance commitment as measured by CCS and perceived alternatives is reported in Allen and Meyer, 1996, p. 265. However, all this evidence involves constructs of continuance commitment which completely lack the potential positive aspects of continuance commitment which our construct of affective continuance commitment allows for.



other influences on affective continuance commitment controlled for, psychologically empowered individuals simply feel more independence from any one organization. This interpretation is supported by the fact that 'Perceived job opportunities' is highly significant and positively related to 'Psychological empowerment' ( $\beta = 0.244$ ; Sig. = 0.000) when entered into Model 6. Also the Pearson correlation between 'Psychological empowerment' and 'Recent job offers' as well as the former and 'Perceived job opportunities' are both positive. Although these are not correlated with 'Continuance commitment' nor significantly related to it in the above analyses, their correlation with 'Psychological empowerment' give some additional support for the interpretation that psychologically empowered employees feel more independence and thus less continuance commitment.

In Model 22 we included also 'Affective commitment' which at least with these controls is insignificant, and thus not in line with what the overall postulated model and the argumentation in section 7.2.4.2 suggests. Model 22 also provides further evidence of the discriminant nature of the two constructs of commitment as well as both of these two with reference to 'Psychological empowerment'<sup>430</sup>. Finally, the backward selected Model 22b supports all the theoretically relevant relationships which are significant in Model 22. *Based on Models 19-22b we reject hypothesis 8b.*

**HRM and organizational citizenship behavior.** The results of our test of hypothesis 10 postulating HRM sophistication as a sufficient antecedent to organizational citizenship behavior are exhibited in Table 31. In these equations we also test the potential direct relationship between 'Strategic fit' and 'Organizational citizenship behavior'.

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<sup>430</sup> Organizational citizenship behavior could be argued to influence continuance commitment and not (only) the other way around as we have hypothesized in our model. To the extent that we would treat it as reflecting organizational level phenomena, (as we do later in the analyses with reference to all our other variables) it could thus be argued to be an interesting control variable in this context. We will however stick to our model.

Table 31...(continues).

Variables	Model 23			Model 24			Model 25			Model 26			Model 27			Model 28			Model 29									
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF							
Constant	.74	.734		.95	.736		1.24**	.723		.43	.718		.65	.721		.66	.685		.28	.695								
Number of earlier employers	.034	.071	2.1	.054	.071	2.1	.039	.069	2.1	.100	.066	2.2	.046	.064	2.3	-.023	.063	2.4	-.029	.062	2.4							
Employee age	.174**	.060	2.4	.187**	.060	2.4	.189**	.058	2.4	.175**	.055	2.5	.153**	.053	2.3	.108	.051	2.6	.106	.050	2.6							
Employee tenure	-.030	.060	1.5	-.042	.060	1.5	-.031	.058	1.5	-.047	.055	1.6	-.002	.054	2.5	.000	.051	1.6	.015	.051	1.7							
Prob. of partnership status	.103*	.028	1.4	.093	.028	1.4	.053	.027	1.4	.068	.026	1.4	.053	.025	1.6	.042	.024	1.5	.002	.024	1.6							
Perceived job opportunities	.244***	.052	1.4	.246***	.052	1.4	.213***	.051	1.5	.218***	.049	1.5	.226***	.047	1.5	.153**	.047	1.7	.150**	.046	1.7							
Recent job offers	-.027	.025	1.3	-.024	.025	1.3	-.018	.024	1.3	.000	.023	1.3	.013	.022	1.6	.002	.021	1.3	-.007	.020	1.3							
Workload	.240***	.060	1.6	.258***	.060	1.6	.242***	.059	1.6	.234***	.056	1.6	.187***	.055	1.3	.109*	.054	1.8	.125**	.054	1.9							
Too big demands	-.052	.044	1.5	-.051	.043	1.5	-.043	.042	1.5	.004	.041	1.6	.001	.039	1.7	.017	.037	1.6	.025	.037	1.6							
Rec. rad. improvem in HRM	-.016	.058	1.3	.007	.058	1.4	-.081	.062	1.6	-.082	.059	1.7	-.099*	.056	1.6	-.107*	.053	1.7	-.101*	.053	1.7							
Hierarchy	-.008	.033	1.1	-.021	.033	1.1	-.054	.032	1.2	-.084	.032	1.3	-.084*	.031	1.7	-.088*	.030	1.3	-.089*	.029	1.3							
Prospects of organiz. perf.	.227***	.063	1.4	.240***	.062	1.5	.202***	.061	1.5	.136**	.060	1.6	.180***	.059	1.3	.131**	.057	1.8	.110*	.057	1.8							
Organizational image	.133**	.048	1.4	.153**	.048	1.4	.143**	.046	1.4	.145**	.044	1.4	.148**	.042	1.7	.140**	.040	1.4	.148***	.039	1.4							
Strategy	.165***	.036	1.2	.169***	.036	1.2	.141**	.035	1.2	.133**	.033	1.2	.095*	.033	1.4	.113**	.031	1.3	.086*	.031	1.4							
Organization size	-.227***	.062	1.3	-.193***	.063	1.4	-.200***	.062	1.4	-.165**	.059	1.4	-.172***	.057	1.3	-.117**	.055	1.5	-.103*	.055	1.6							
Interactional justice	.146**	.065	1.7	.157**	.065	1.7	.077	.066	1.9	.057	.075	2.7	.064	.072	1.5	-.006	.070	2.8	-.034	.069	2.9							
Procedural justice	.003	.063	1.7	.021	.063	1.8	.028	.061	1.8	.020	.060	1.9	-.006	.057	2.7	.010	.055	1.9	.022	.054	2.0							
Distributive justice	.095*	.062	1.3	.078	.062	1.3	.002	.064	1.5	.010	.061	1.5	.020	.059	1.9	.007	.056	1.6	-.007	.056	1.6							
Strategic fit	∅	∅	∅	-.140**	.063	1.3	-.164**	.062	1.3	-.175***	.059	1.4	-.170***	.057	1.6	-.195***	.055	1.4	-.187***	.054	1.4							
HRM sophistication	∅	∅	∅	∅	∅	∅	.272***	.095	2.3	.200**	.095	2.6	.177**	.091	1.4	.194**	.087	2.6	.171**	.086	2.7							
Organization support	∅	∅	∅	∅	∅	∅	∅	∅	∅	.036	.099	2.9	.018	.096	2.6	-.030	.092	3.1	-.066	.092	3.2							
Coworker support	∅	∅	∅	∅	∅	∅	∅	∅	∅	.313***	.066	1.8	.316***	.064	3.0	.257***	.062	1.8	.244***	.061	1.9							
Leader support	∅	∅	∅	∅	∅	∅	∅	∅	∅	-.089	.069	2.7	-.049	.067	1.8	-.085	.064	2.8	-.052	.063	2.9							
Psych. empowerment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.343***	.095	3.0	.247***	.103	3.7							
Aff. value commitment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.200**	.098	2.9							
Aff. continuance com.	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅							
Empl. perf. quality/efficacy	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	-.144**	.062	1.5	-.138**	.058	1.6	-.125**	.058	1.6							
Empl. perf. innovativity	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.244***	.041	2.8	.192***	.040	1.6	.200***	.040	1.6							
DEPENDENT VARIABLE	Organizational citizenship behavior			Organizational citizenship behavior			Organizational citizenship behavior			Organizational citizenship behavior			Organizational citizenship behavior			Organizational citizenship behavior			Organizational citizenship behavior									
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI <sup>†</sup>	6,5	0,48	0,40	58	6,4	0,49	0,42	61	6,8	0,52	0,45	65	7,5	0,59	0,51	74	8,0	0,63	0,55	80	9,0	0,67	0,60	82	9,2	0,68	0,61	92

One-tailed sig. test: p<.10 / \*\* p<.05 / \*\*\* p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

Table 31 continued.....

Variables	Model 30			Model 30b				
	β	s.e.	VIF	β	s.e.	VIF		
Constant	.33	.696		.35	.559			
Number of earlier employers	-.040	.062	2.5	∅	∅	∅		
Employee age	.092	.051	2.6	.098*	.035	1.4		
Employee tenure	.024	.051	1.7	∅	∅	∅		
Prob. of partnership status	-.017	.025	1.7	∅	∅	∅		
Perceived job opportunities	.145**	.046	1.7	.155***	.039	1.4		
Recent job offers	-.007	.020	1.3	∅	∅	∅		
Workload	.140**	.054	1.9	.147***	.044	1.4		
Too big demands	.023	.037	1.6	∅	∅	∅		
Rec. rad. improvem in HRM	-.114**	.053	1.7	-.087*	.046	1.4		
Hierarchy	-.087*	.029	1.3	-.092*	.027	1.3		
Prospects of organiz. perf.	.098*	.057	1.8	.105**	.051	1.6		
Organizational image	.141**	.040	1.5	.140***	.037	1.4		
Strategy	.092*	.031	1.4	.086*	.028	1.3		
Organization size	-.105*	.055	1.6	-.097**	.048	1.4		
Interactional justice	-.022	.070	2.9	∅	∅	∅		
Procedural justice	.027	.054	2.0	∅	∅	∅		
Distributive justice	-.018	.056	1.6	∅	∅	∅		
Strategic fit	-.189***	.054	1.4	-.196***	.049	1.3		
HRM sophistication	.181**	.086	2.7	.148**	.072	2.1		
Organization support	-.090	.094	3.3	-.099*	.071	2.1		
Coworker support	.224***	.063	2.0	.254***	.055	1.7		
Leader support	-.066	.064	2.9	∅	∅	∅		
Psych. empowerment	.275***	.106	3.9	.222***	.093	3.3		
Aff. value commitment	.187**	.098	3.0	.199***	.086	2.5		
Aff. continuance com.	.085	.043	1.9	∅	∅	∅		
Empl. perf: quality/efficacy	-.124**	.058	1.6	-.125**	.052	1.5		
Empl. perf: innovativity	.188***	.040	1.7	.203***	.036	1.5		
DEPENDENT VARIABLE	Organizational citizenship behavior			Organizational citizenship behavior				
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	8,9	0,69	0,61	96	15,4	0,68	0,64	69

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index /

Ø = Variable not included in model

Again Model 23 represents our basic control equation excluding the sociopolitical control variables as well as 'Psychological empowerment', 'Affective commitment' and 'Continuance commitment'. Of the several significant relations we can note that workload (at the levels represented in the sample) seems to be compatible with organizational citizenship behavior. It is a priori quite plausible that 'Workload' at least up to some limit should be positively related to 'Organizational citizenship behavior'. However, in this sample not even too big demands on the employees seem to negatively influence such behavior. Perceived job opportunities seems in this sample to be positively related to organizational citizenship behavior. This result can be interpreted as some support for the fact that this kind of behavior is dependent on

perceived competence or ability which should also plausibly be related to perceived job alternatives<sup>431</sup>.

In Model 24 we added 'Strategic fit'. Interestingly it is significant and negatively related to 'Organizational citizenship behavior'. We will give an interpretation of this result below in connection to the discussion of strategic fit including its earlier noted positive relation to 'Psychological empowerment' and its negative relationship to 'Organizational support'.

In Model 25, we added 'HRM sophistication'. It is significant and positive thus *offering some initial tentative support for hypothesis 10*.

In Model 26 we added also the sociopolitical support related constructs. The results show that 'HRM sophistication' is still significant thus *offering more robust support for hypothesis 10*. Plausibly the results also indicate that coworker support is highly significantly and positively related to organizational citizenship behavior.

In Model 27 we entered the employee performance variables in order to control for "in-role" behavior. Of these the external employee performance measure is perhaps more clearly "in-role". We note that even with these controls 'HRM sophistication' is significant and positively related to 'Organizational citizenship behavior' thus *providing further indication of the robustness of the earlier results*. It is interesting to note that while the employees reporting higher organizational citizenship behavior quite plausibly also are ranked as exhibiting more innovative behavior internal to the organization their performance in terms of effectiveness and quality seems to be negatively related to organizational citizenship behavior. This indicates that high performers, evaluated according to more "traditional" criteria of performance, might exhibit a more individualistic focus and engage less in organizational citizenship behavior. Thus also here we find indications of some potential problems of mutually pursuing the organizational goals in terms of employees performing with more "traditional" high efficiency and quality as well as exhibiting organizational citizenship behavior<sup>432</sup>.

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<sup>431</sup> This interpretation is supported by the fact that the dimension of 'Psychological empowerment' in terms of (perceived) 'Competence', a variable which is not shown in the correlation table, is positively related to both 'Perceived job opportunities' ( $r = 0.317$ ; Sig. [two-tailed] = 0.000) and 'Recent job offers' ( $r = 0.163$ ; Sig. [two-tailed] = 0.038). Of the three other dimensions of 'Psychological empowerment' only one, i.e. 'Meaning', is related to only one of the variables measuring perceived job opportunities, i.e. 'Perceived job opportunities' ( $r = 0.214$ ; Sig. [two-tailed] = 0.006). Even this relationship is smaller than the one between 'Competence' and the latter. However, as we shall see the data indicates that while ("perceived") psychological empowerment may contribute to organizational citizenship behavior, interestingly employee performance in terms of quality/efficiency tends to be negatively rather than positively related to organizational citizenship behavior. This does not necessarily contradict the arguments concerning competence above but it indicates a complexity in the relationships.

<sup>432</sup> The (interpretation of the) results with reference to the relationship between employee "in-role" performance and organizational citizenship behavior is in some contradiction to Williams and Andersson (1991, p. 610-611). However, their study involved common method errors between their two variables related to organizational citizenship behavior and their in-role employee performance measure. In addition, their (two) construct(s) of organizational citizenship behavior(s) were different from the one used in our study.

In Model 28 we entered 'Psychological empowerment'. In line with our earlier conceptual arguments (section 8.2.3) the results indicate that it is a significant predictor of organizational citizenship behavior. When controlling for 'Psychological empowerment' we may note that *the significance of 'HRM sophistication' seems to be increased rather than reduced*. Thus, there appears to be a direct relationship which is more clearly discernible when we control for 'Psychological empowerment'.

In Model 29 we entered also 'Affective commitment'. It is significant and positive. The results indicate that 'Affective commitment' might be a mediator both of the influence of 'HRM sophistication' and the influence of 'Psychological empowerment' on 'Organizational citizenship behavior'. This is in line with our earlier conceptual arguments (section 8.2.3) as well as much earlier theorizing and evidence as reviewed above<sup>433</sup>.

The further inclusion of 'Continuance commitment' in Model 30 does not change any of the focal results obtained in the earlier analyses and simply indicates that this variable is not a significant predictor of 'Organizational citizenship behavior'. *The significance of 'HRM sophistication' seems to increase rather than decrease when we include 'Continuance commitment'* indicating that at the margin there is a direct relationship between 'HRM sophistication' and 'Organizational citizenship behavior' which is more clearly discernible when we control for 'Continuance commitment'. The backward selected Model 30b essentially supports the significant theoretically central relationships exhibited in Model 30. One main difference is however the (difficult to understand) weakly significant negative relationship between 'Organization support' and 'Organizational citizenship behavior' in Model 30b. In any case, *'HRM sophistication' is clearly significant in Models 30 and 30b. This offers robust support for hypothesis 10.*

### 9.3.1 The direct relationships: summary of the results

Thus, in summary our analyses have indicated that, when all our control variables are included, there is no direct significant relationship between 'HRM sophistication' and 'Psychological empowerment' (Model 10 and 10b), nor between 'HRM sophistication' and 'Continuance commitment' (Models 19-22b) and a more ambiguously significant relationship between 'HRM sophistication' and 'Affective commitment' (Models 16 and 16b)<sup>434</sup>. However, we found a strongly significant direct relationship between

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<sup>433</sup> It is again interesting to note that in further apparent contradiction to our results, Williams and Andersson found no significant relationship between organizational commitment and their (two) construct(s) of organizational citizenship behavior(s). With reference to this relationship, a crucial difference, in addition to the different constructs of organizational citizenship behavior, is that our study involved common method errors while their did not. Further, their construct of organizational commitment was different from our constructs of commitment. Finally, we include a much larger number of control variables in our analyses. This last point, however, appears not to be a crucial distinctive factor with reference to this issue since already the correlations between these variables in these two studies are significantly different. These observations together with those in footnote 432 provide some further indications of the role common method errors might have in the results of different studies (Brown and Williams, 1994). However, the comparison of the studies is made difficult by the different types of constructs used.

<sup>434</sup> It would clearly be important to corroborate these results with data uncontaminated by common method errors. In general common method errors are likely to increase correlations between variables.

'HRM sophistication' and 'Organizational citizenship behavior' (Models 25-30b). With reference to our intermediate attitudinal constructs these are the main hypothesis-related results of the analyses so far.

In addition we found an interesting strongly significant positive relation between 'Strategic fit' and 'Psychological empowerment' (Models 8, 10 and 10b) as well as a negative one between 'Strategic fit' and 'Organizational citizenship behavior' (Models 24-30b) to which we will return in section 9.3.5 below.

We also found some potential problems in achieving psychologically empowered employees who are also affectively continuance committed (Models 21-22b) as well as achieving employees who engage in organizational citizenship behavior and at the same time perform their "core work" with high quality/efficiency (Models 27-30b)<sup>435</sup>.

In addition we have found some indicative and partial support of the suggested mediational relations between our focal intermediate constructs in terms of 'Psychological empowerment', and 'Affective commitment' (Models 16 and 16b) and both of these and 'Organizational citizenship behavior' (Models 28-30b).

*However, on the basis of the above analyses HRM sophistication appears to be more or less cut off from these anticipated mediational relationships* since we found no more unambiguous (strong) support for a direct relationship between HRM sophistication and either psychological empowerment or affective value commitment. Even so, the above results are no falsification of the idea that HRM, as conceptualized in this thesis, might have a sufficient and robust influence on psychological empowerment, affective value commitment, affective continuance commitment as well as in fact exhibit an even stronger overall relationship with organizational citizenship behavior.

We are still left with at least one possibility, (even more) exploratory but fully in line with earlier theorizing, to develop the ideas of proper controls and potential causal mechanisms (mediators), which could make HRM's sufficient influence on our focal intermediate constructs more robust in plausible and intelligible ways. Thus, before we continue with our hypothesis-based analyses of HRM's potential mediated (and thus explained) influence on employee performance and potential mediated (and thus explained) influence on organizational performance, we will consider whether there might be other routes of HRM's influence in line with the hypotheses implied by our general model. We have found that without the socio-political controls 'HRM sophistication' is significantly and positively directly related to all focal intermediate attitudinal constructs except to 'Continuance commitment' (to 'Psychological

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However, with many control variables it appears possible that common method errors (in particular in combination with low discriminant validities) may lead to under-estimations of potential direct relationships between variables. Such effects would be due to the increased multicollinearity produced by common method errors. Nevertheless, as we shall argue below there is still some justification for believing that the HRM system alone is not sufficient to influence psychological empowerment.

<sup>435</sup> As we shall see below the negative relationship between organizational citizenship behavior and employee performance in terms of quality/efficiency is however not significant when we do not control for employee performance in terms of innovative behavior (Models 46-47).

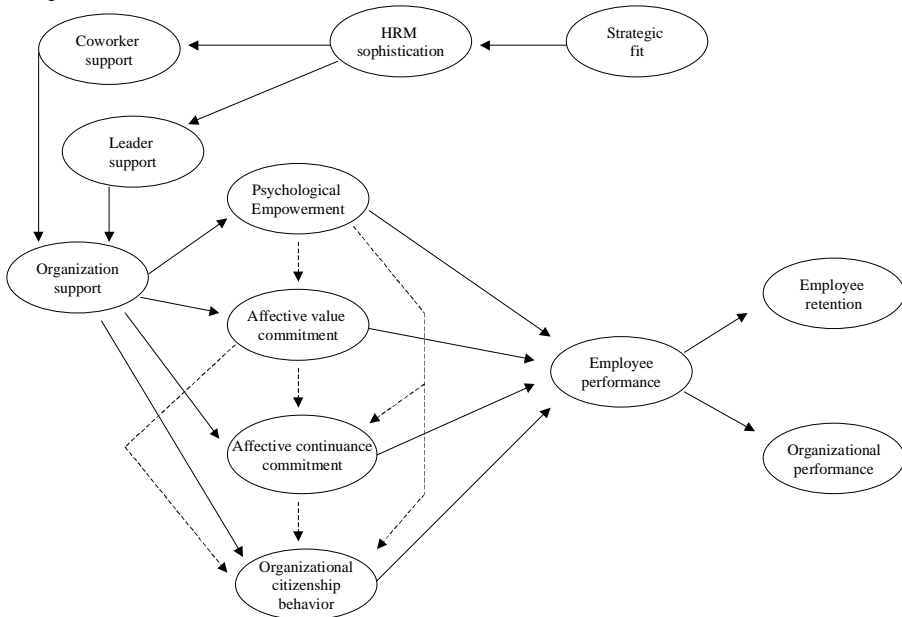
empowerment' in Model 9, to 'Affective commitment' in Model 14, and to 'Organizational citizenship behavior' in Model 24 but not to 'Continuance commitment' in Model 19). These results suggest some potential developments of our general postulated model.

### 9.3.2 An exploratory extension of the general model

As an exploratory attempt, within the constraints of the current data, we will pursue the possibility that the influence of the general sophistication of the HRM system on the focal intermediate phenomena may be mediated by the sociopolitical support related phenomena. These mediational possibilities were partially indicated already at the end of (section 3.4) as well as further justified in connection to the discussion of control variables (section 8.2).

Thus, we exploratively propose to test whether our data is consistent with a mediational framework which involves Strategic fit, HRM, the support related variables, psychological empowerment, affective value commitment, affective continuance commitment, organizational citizenship behavior as well as the performance related variables. Our extended exploratory model is presented in figure 4 below.

Figure 4: Extended model



This framework is largely consistent with earlier theorizing and evidence as reviewed above. In section 8.2. we argued for the (mediational) relationships between 'Psychological empowerment', 'Affective commitment', 'Continuance commitment'

and 'Organizational citizenship behavior'<sup>436</sup>. We still need to conceptually/theoretically justify the additional relationships included in the above exploratory model.

**HRM and the support related variables.** In arguing for these mediation effects, we have to assume at least two things. (1) First, we have to assume that the current qualities of the HRM practices, or similar ones in relative terms, have been present in the organizations long enough to influence the qualities of coworkers and leaders. This assumption is more or less incorporated in the assumption of "equilibrium relationships" (Becker and Huselid, 1998b, p. 5). (2) A related assumption of ours is that the variable 'HRM sophistication' more or less "correctly" reflects the qualities of the organizational HRM systems. On average these assumptions, considering also the control variables included, should be considered acceptable for exploratory purposes. In fact, as already noted, the plausibility that HRM as we have operationalized it could have an influence on organizational performance, as mediated by our intermediate variables, requires this assumption for all our focal attitudinal variables (compare sections 7.3 and 7.5).

With these assumptions, a relationship between HRM and both leader support and coworker support would theoretically (causally) seem to make sense. A sophisticated HRM system should over time in various ways affect the qualities of coworkers and leaders. Such qualities should at least enable them to give support. An exchange theoretical argument would also provide an explanation for the hypothetical fact that depending on the sophistication of organizations' HRM systems, coworkers and leaders in fact also tend to give such support. Such support and the importance of it might naturally vary depending on organizational contexts. In a "knowledge intensive" sample such as ours the importance of these relations should however be accentuated<sup>437</sup>.

With reference to HRM's indicated (indirect) relation to organization support it would seem plausible (also here on the basis of loose exchange theoretical reasons) that sophisticated selection, training, performance appraisals, communication, compensation, socialization, employment security and even general benefits (on average at least) would lead to such a climate. More sophisticated HRM could also make mutual respect, tolerance and aptitude for forgiving (i.e. organization support) more likely because of the general quality of employees it should contribute to.

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<sup>436</sup> Although we received some complicating results with reference to these we will stick to the originally argued relationships. Thus, despite the contradictory evidence in terms of Model 21 and 22 we continue to stick with the hypothesis of a positive relationship between psychological empowerment and affective continuance commitment. It may still hold when employee and organizational performance is controlled for. We also stick to our original model in terms of a relationship between affective value commitment and affective continuance commitment despite the evidence of Model 22, as well as between the latter and organizational citizenship behavior despite the lack of evidence in Model 30.

<sup>437</sup> In the HRM literature something close to leader support has been conceptualized as an important part of HRM (e.g. Storey, 1995, p. 6). However, it would seem that leader support is not something which organizations can simply mobilize by arguing that it is an important aspect of HRM. Leaders need to be qualified. HRM would thus naturally seem to form at least part of the organizational processes which (over time) influence qualities of the leaders rather than leader involvement in HRM simply being understood as a part of such processes.



Clearly there may also be opposite influences in terms of increased rivalry between more or less equally qualified employees. Social exchange theoretical consideration should nevertheless on average lead to increased organizational support as it is conceptualized/operationalized in this thesis.

That HRM should affect the support-related variables is also in line with the (alternative) social context theory of the influence of human resource management suggested by Ferris et al. (1998). Appendix 4 exhibits a schematic outline of the latter's theorization.

**Co-worker/leader support and organizational support.** In order that the relationship between coworker/leader support and organization support would be plausible, we have to assume that organization support is evaluated holistically by the respondents in terms of the respect, forgiving attitudes and tolerance shown by coworkers and leaders rather than by something more abstract in terms of the organization. Though perhaps somewhat in contradiction to the original aims of the construct of organization support (e.g. Eisenberger et al., 1986), we argue that with the content we have given to it in our study, this is a plausible assumption. In addition, we rely on a generalization of the argument that

"because of their proximity and regular interaction with employees, local foci are probably more effective than global foci in...influencing employee behavior" (Becker et al., 1996, p. 467).

This argument should apply also with reference to employee attitudes. With these assumptions, leader support and coworker support should plausibly translate into or lead to a perceived climate of respect, tolerance and aptitude for forgiving, i.e. organization support as operationalized in our study. In particular in an organization where team- and project-work are prevalent it would seem plausible that coworker support, together with leader support would contribute to a climate in terms of organization support<sup>438</sup>.

**Social support and Psychological empowerment.** In general, these exploratory mediation effects are in line with Spreitzer's arguments about the importance of socio-political support for psychological empowerment. "Social networks define the social fabric of an organization, providing members with key channels for getting work done"(Spreitzer, 1996, p. 488)<sup>439</sup>. Increased supportive "social exchange with key

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<sup>438</sup> In the regression analyses we will not pursue the evident possibility that also Leader support should in turn influence Coworker support. We will instead control for this possibility.

<sup>439</sup> Based on the results so far it seems that 'Interactional justice' is more important than 'Leader support' with reference to both 'Psychological empowerment' and 'Affective commitment'. A relationship between interactional justice and psychological empowerment is also in line with Spreitzer's arguments. Justice related variables in general are also likely to affect judgements of the HRM practices, or perhaps rather be a (potentially important) element of the HRM practices. However, in line with what we argued in the beginning of the thesis (at the end of section 1.3), by using justice related variables as controls in these analyses we explicitly try to distill the influence of various forms of justice from the influence of the HRM system. We do this because we want to analyze whether HRM could be said to have other influences than the potential ones in terms of (or through) properties of justice. Thus, we will only analyze whether any justice related aspects destruct other potential

organizational constituencies" should influence "a sense of personal power" (ibid., p. 488) which in turn should influence all the dimensions of psychological empowerment. In summary, employees' psychological empowerment (i.e. their perceptions of their empowerment) would seem to depend on the social context. With low support, in any of the three forms included in the model above, one would hardly feel as empowered as with high (contextual) social support. In fact as noted, independent of such support 'HRM sophistication' seems not to have a significant (sufficient) relation to 'Psychological empowerment'.

**Social support and Organizational commitment.** The mediational relationships are also in line with the argument that "employees develop global beliefs concerning the extent to which the organization values their contributions and cares about their well-being" (Eisenberger et al., 1986, p. 501). As noted also by Wayne et al. such beliefs should "underlie employees' inferences concerning their organizations commitment to them...which in turn [should] contribute to the employees' commitment to their organizations"(1997, p. 83).

**Social support and Organizational citizenship behavior.** The postulated mediation effects are also in line with arguments for the importance of what has been called non-controversial socially desirable workplace values for organizational citizenship behavior (and "attachment" and thus arguably commitment) (Dyne et al., 1994, pp. 772-773). Non-controversial socially desirable workplace values would seem clearly to include values related to sociopolitical support and such phenomena would seem to be best manifested in perceptions of the behavior of colleagues.

One might argue that the sociopolitical support related variables should be conceived of as *moderator variables* rather than *mediator variables* with reference to the influence of HRM. In fact, in social science interaction effects would appear "to be the rule rather the exception" (Jaccard et al., 1993, p. 8). However, firstly, the postulation *only* of moderation effects would seem to be theoretically deficient.

Secondly, a test of moderation effects in terms of our correlated variables in question would arguably confront (quite generalizable) statistical problems at least in knowledge intensive contexts comparable to the one studied in this thesis<sup>440</sup>. MacDuffie, in his study reviewed above, faced conditions similar to ours. To reduce the multicollinearity between his moderating variables he used a method of "linear transformation known as "centering" in which the mean value for a variable is subtracted from each score" (1995, p. 213).

The method of centering is recommended e.g. by Jaccard, Turrisi and Wan (1993, pp. 28-29). Against some critics, they argue in principle that interval scaled data do not pose problems for the use of "centering" (Jaccard et al., 1993, pp. 28-29) and that this

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positive influences of the HRM system. In other words, these analyses thus (in principle) enable us to tell whether HRM can have the postulated effects independent of the explicitly justice-related aspects.

<sup>440</sup> When trying some analyses of moderation effects (with uncorrected variables) we faced severe multicollinearity problems. In fact, Baron and Kenny argue that "it is desirable that the moderator variable be uncorrelated with both the predictor and the criterion (the dependent variable) to provide a clearly interpretable interaction term" (1986, p. 1174).

method can be used to overcome multicollinearity problems (ibid., pp. 30-31). On the other hand, technical methods of reducing multicollinearity, have been criticized (Maddala, 1988, pp. 234 -247). With reference to ridge regressions, which seems to correspond to the method of "centering", Maddala cites the slogan: "Use less precise data to get more precise estimates" (ibid., p. 236).

In summary, there appears to be a general disagreement among statisticians about the possibilities to pursue analyses (of moderation effects) with highly correlated variables. Maddala seems to argue that technical solutions to the multicollinearity problem seem in general to be non-satisfactory and suggest that the best and perhaps only real solution to multicollinearity problems appears to be to find more data (Maddala, 1988, p. 247). Such data would have to be "tailor made" to overcome the problems. With reference to our variables, which should arguably also be causally related, finding such data would seem to pose severe problems. In any case, regardless of the acceptability of the method of centering it will not be utilized in the current thesis.

What we also could do is to enlarge our concept of HRM by forming a very complex index of our HRM variable and the support related variables (compare McDuffie's Production Organization Index [1995, p. 208]<sup>441</sup>). In our case, forming such an index out of HRM and the support related variables would arguably be in line with much of what has been written on HRM and the "mutual gains" organization, e.g. the argument that "[t]he new HRM model is composed of policies [and praxis] that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility" (Walton, 1985b). However, we prefer to use constructs which have been at least somewhat more generally validated.

The above possibilities and problems are simply indications of the complexity involved in performing both theoretically and statistically adequate tests of many a priori plausible hypotheses.

Thus, although we would at least agree that it would be theoretically quite plausible to posit that the support related variables would function both as mediators and moderators of HRM effects (in line with the general framework of such possibilities discussed by Baron and Kenny [1986, p. 1179]), in this thesis we limit our analyses to exploring a mediational framework.

### 9.3.3 Testing the extended model

We will test the exploratively suggested model in steps and begin by performing a structural equation analysis (with latent model constructs but without control variables) of the mediational intermediate framework to test its general plausibility. We will then continue by performing a set of regression analyses with all the controls where the additional direct relationships involved in our extended model are tested<sup>442</sup>.

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<sup>441</sup> Also Dyne et al. (1994, p. 801) formed such a complex index to measure their covenantal relationship.

<sup>442</sup> Why do we not simply add the controls to the structural equation model(s)? When we include the controls the LISREL models simply do not exhibit acceptable fit statistics. Here we face the question of which kinds of statistical analyses and in particular what kind of fit statistics should be used. We have

All the direct relationships involved will be tested once again, this time including also controls in terms of employee and organizational performance. Then we move to an analysis of the postulated relationships between HRM and employee/organizational performance, this time in distinction to Models 3-5 including all our intermediate mechanisms and again utilizing both structural equation analyses and ordinary least squares regression analyses. Lastly we will also perform an overall structural equation analyses with composite scores in order to gain some understanding of the significance of the potential indirect relationships while including the most important control variables.

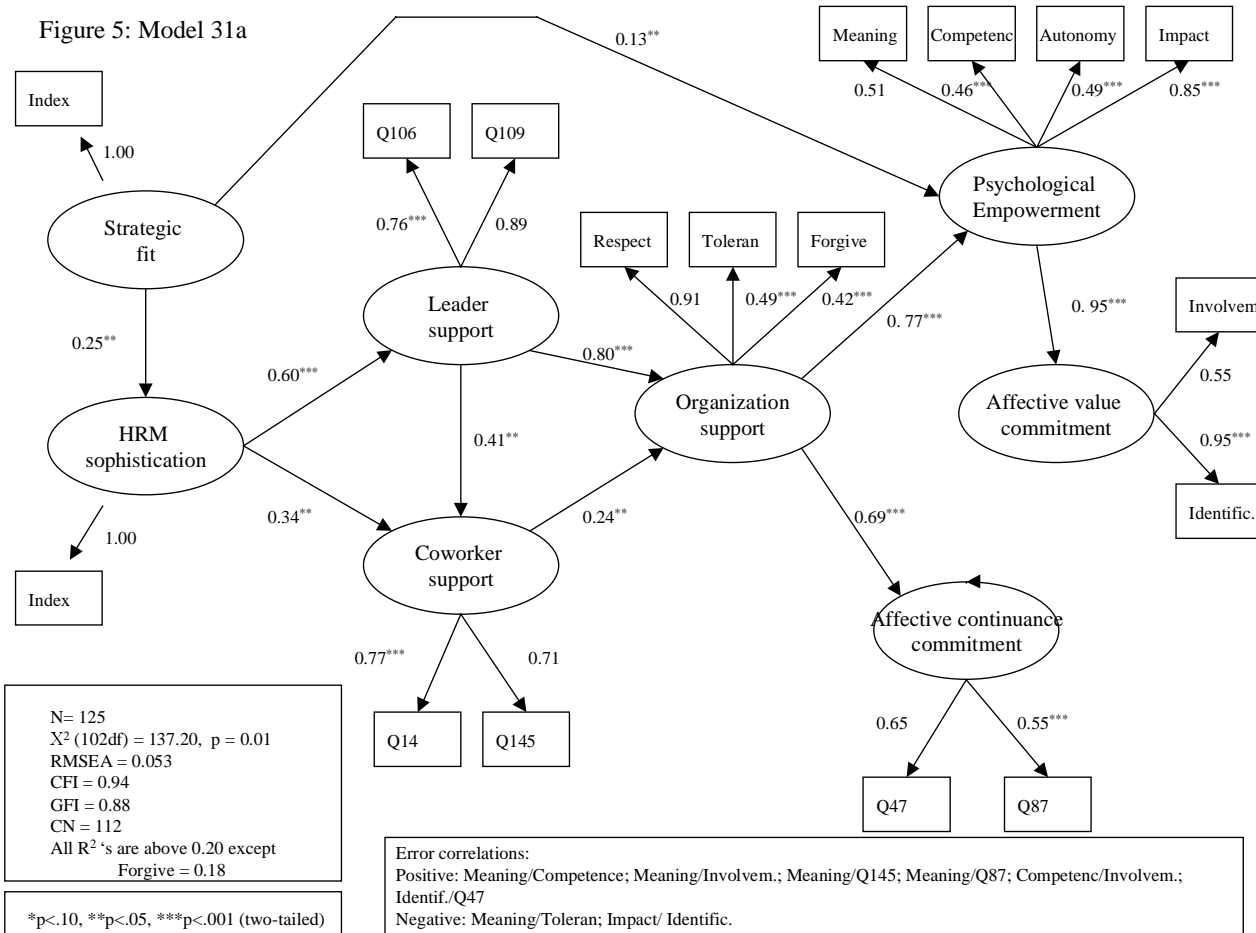
**Structural equation analysis.** Figure 5 exhibits a structural equation model (Model 31a) of the postulated intermediate relationships to the exclusion of organizational citizenship behavior<sup>443</sup>

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no answer to this question. Using regression analysis and basically paying attention only to the significance of the overall model together with the significance of variable specific estimates are acceptable criteria for evaluating claims to knowledge in the field of organization studies and social science at large. We will therefore utilize such analyses and such criteria if for no other purpose than to offer the possibility to compare such analyses with the results of earlier studies.

<sup>443</sup> The model does not exhibit acceptable fit if the construct of organizational citizenship behavior is added to it.

Figure 5: Model 31a



Although lacking all the control variables, Model 31a provides some general support for a structure largely consistent with the exploratively postulated intermediate attitudinal relationships. The model is also largely compatible with the regression analyses above. Thus, Model 31a and Model 10 and 10b both bear witness to a significant positive relationship between 'Organization support' and 'Psychological empowerment'. Model 31a and Model 16 both bear witness to a significant positive relationship between 'Psychological empowerment' and 'Affective commitment' but no positive strongly significant ( $p \leq 0.05$ ) direct relationship between either 'Organization support' or 'Leader support' or 'Co-worker support' and 'Affective commitment'. However, in Model 16b 'Organization support' is strongly significantly (one-tailed test) related to 'Affective commitment'. Finally, Model 31a and Model 22 and 22b bear witness to a significant positive relationship between 'Organization support' and 'Continuance commitment' but no positive direct relationship between either 'Psychological empowerment' or 'Affective commitment' and 'Continuance commitment'.

As reported we had to free a fair amount of error correlations in order to gain acceptable fit statistics for the model. As noted earlier, freeing error correlations between items related to the same construct seems fairly unproblematic. However, all these constructs are conceptually fairly closely related. There would thus seem to be some justification for freeing error correlations also between items pertaining to different constructs. With these modifications the model at least approaches an acceptable fit. Nevertheless, albeit offering some support for the postulated structural relationships, the fit statistics of this analysis implies that we should be cautious in interpreting it.

Compared to our postulated model the structural equation model (just as regression Models 22 and 22b) thus suggests a direct positive relation between 'Organization support' and 'Continuance commitment' rather than one between either 'Psychological empowerment' or 'Affective commitment' and 'Continuance commitment'. In addition, the structural equation analysis also indicates an additional relation and mediation from 'Leader support' to 'Coworker support'<sup>444</sup>.

In Appendix 5 we also exhibit simpler models with 'Psychological empowerment' (Model 31b), 'Affective commitment' (Model 31c) and 'Organizational citizenship behavior' (Model 31d) entered in turn while 'Continuance commitment' is included in all of them. These models exhibit more or less acceptable (fit) statistics and they all exhibit the same basic structural relationships with reference to the other variables

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<sup>444</sup> The question of nested models appears in this case to be complex. For example, the model seems largely unaffected if the relationship between 'Organization support' and 'Continuance commitment' is constrained and a relationship between 'Leader support' and 'Continuance commitment' is estimated instead. The relationships between either 'Affective commitment' or 'Psychological empowerment' and 'Continuance commitment' are both positive and significant (in some contrast to Model 22!) when estimated separately and instead of the one between 'Organization support' and 'Continuance commitment'. However, both of these two variations somewhat reduces the fit of the model. In (further) contrast to Model 22, if we estimate all these relationships at once they all become insignificant. We do not engage in testing whether differences in fit of such different models are statistically significant or not. Here we only try to show the consistency of the data with at least one possible interpretation of the relationships.

(except for 'Strategic fit') as in Model 31a. These simpler models offer some more support for the relationships postulated by our exploratively extended model of the influence of HRM on the focal intermediate variables. These models also confirm that, without the other controls, the only focal intermediate variable which 'HRM sophistication' appears directly (at least weakly) significantly related to is 'Organizational citizenship behavior'<sup>445</sup>. In line with Models 2b and 30b Model 31d also indicates that 'Coworker support' rather than 'Organization support' is significantly related to 'Organizational citizenship behavior'. Further, in line with Models 21-22b also Model 31b indicates that 'Psychological empowerment' tends toward a negative relationship with 'Continuance commitment'. This relationship was interpreted in relation to Model 21 above<sup>446</sup>.

**Regression analyses.** Below we shall present a set of regression analyses testing whether the structure of direct relations between HRM and the intermediate variables exhibited in the extended overall model (Figure 4), and initially more or less supported in Models 31a-31d, can be corroborated including all the control variables. In these regression models we will also include the controls in terms of employee and organizational performance. As already noted, in so doing we may underestimate the relationships in that our general model also postulates that the independent, mediational and focal intermediate constructs should influence employee and organizational performance. However, in so far as they are not perfectly related the performance controls are still meaningful. By including them we can at least diminish the possibility that all our mediational and intermediate relationships may be due to a common cause in the sense of reverse causations either from employee or organizational performance (see footnote 422 above and compare March and Sutton, 1997, pp. 700-701)<sup>447</sup>.

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<sup>445</sup> The latter models also confirm the fact that the most serious problems of discriminant validity appears with reference to the construct of psychological empowerment.

<sup>446</sup> However, comparing the significance level and the  $\beta$ -coefficient of this relationship may be an indicator of some kind of statistical problems.

<sup>447</sup> This amounts to an acknowledgement of a possible violation of the assumption of recursivity in the general model thus making at least some of our partial models statistically questionable. Someone

**First level of mediation: HRM and the support related variables.** We begin by analyzing the postulated relationships between 'HRM sophistication', 'Leader support', 'Coworker support' and 'Organization support'. These analyses are exhibited in Table 32.

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might thus criticize our inconsistent treatment of the performance related variables. We invite such a criticizer to reflect upon the assumptions of unidirectional causal relationships between variables in general in organization science.



Table 32.

Variables	Model 32			Model 32b			Model 33			Model 33b			Model 34			Model 34b								
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF						
Constant	-1.08	1.064	-	-1.36 <sup>**</sup>	.611	-	3.25 <sup>***</sup>	1.092	-	3.34 <sup>***</sup>	.529	-	1.33 <sup>**</sup>	.737	-	1.76 <sup>***</sup>	.553	-						
Number of earlier employers	.082	.091	2.3	.091 <sup>**</sup>	.060	1.2	-.197 <sup>**</sup>	.096	2.3	-.170 <sup>***</sup>	.062	1.1	.065	.063	2.3	∅	∅	∅						
Employee age	.014	.075	2.5	∅	∅	∅	.033	.079	2.5	∅	∅	∅	-.150 <sup>**</sup>	.052	2.5	-.091 <sup>*</sup>	.034	1.1						
Employee tenure	-.010	.076	1.6	∅	∅	∅	.027	.081	1.6	∅	∅	∅	.090 <sup>*</sup>	.053	1.6	∅	∅	∅						
Prob. of partnership status	-.002	.036	1.5	∅	∅	∅	-.041	.038	1.5	∅	∅	∅	.007	.025	1.5	∅	∅	∅						
Perceived job opportunities	.023	.067	1.5	∅	∅	∅	-.074	.071	1.5	∅	∅	∅	.135 <sup>**</sup>	.046	1.5	.122 <sup>**</sup>	.039	1.2						
Recent job offers	-.031	.031	1.3	∅	∅	∅	-.032	.033	1.3	∅	∅	∅	-.023	.021	1.3	∅	∅	∅						
Workload	.015	.078	1.7	∅	∅	∅	-.033	.083	1.7	∅	∅	∅	.109 <sup>*</sup>	.054	1.7	.089 <sup>*</sup>	.045	1.3						
Too big demands	.017	.055	1.6	∅	∅	∅	-.125 <sup>*</sup>	.058	1.5	-.076	.045	1.1	-.161 <sup>***</sup>	.038	1.6	-.137 <sup>***</sup>	.033	1.3						
Rec. rad. improvem in HRM	-.025	.082	1.7	∅	∅	∅	-.067	.086	1.7	∅	∅	∅	.091 <sup>*</sup>	.056	1.7	∅	∅	∅						
Hierarchy	-.048	.043	1.2	∅	∅	∅	.090	.045	1.2	∅	∅	∅	-.193 <sup>***</sup>	.029	1.2	-.181 <sup>***</sup>	.027	1.2						
Prospects of organiz. perf.	.059	.084	1.7	.067	.069	1.4	.233 <sup>***</sup>	.087	1.6	.233 <sup>***</sup>	.071	1.3	-.104 <sup>*</sup>	.058	1.7	∅	∅	∅						
Organizational image	.021	.061	1.5	∅	∅	∅	.046	.065	1.5	∅	∅	∅	.010	.042	1.5	∅	∅	∅						
Strategy	-.013	.047	1.3	∅	∅	∅	.059	.050	1.3	∅	∅	∅	.020	.032	1.3	∅	∅	∅						
Organization size	.006	.081	1.5	∅	∅	∅	-.099	.085	1.4	∅	∅	∅	.069	.056	1.5	∅	∅	∅						
Interactional justice	.389 <sup>***</sup>	.088	2.0	.389 <sup>***</sup>	.076	1.9	.013	.102	2.4	∅	∅	∅	.334 <sup>***</sup>	.066	2.4	.374 <sup>***</sup>	.058	2.0						
Procedural justice	.234 <sup>***</sup>	.079	1.8	.222 <sup>***</sup>	.068	1.6	.061	.087	2.0	∅	∅	∅	.054	.057	2.0	∅	∅	∅						
Distributive justice	-.025	.083	1.5	∅	∅	∅	-.024	.088	1.5	∅	∅	∅	.112 <sup>**</sup>	.057	1.5	.102 <sup>**</sup>	.049	1.2						
Strategic fit	-.036	.082	1.4	∅	∅	∅	.087	.087	1.4	∅	∅	∅	-.125 <sup>**</sup>	.057	1.4	-.089 <sup>*</sup>	.049	1.1						
HRM sophistication	.232 <sup>***</sup>	.133	2.8	.198 <sup>**</sup>	.098	1.9	.317 <sup>***</sup>	.141	2.8	.244 <sup>***</sup>	.099	1.6	.048	.094	2.9	∅	∅	∅						
Organization support	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅						
Coworker support	.100 <sup>*</sup>	.088	1.7	.106 <sup>***</sup>	.078	1.5	∅	∅	∅	∅	∅	∅	.232 <sup>***</sup>	.061	1.7	.208 <sup>***</sup>	.053	1.4						
Leader support	∅	∅	∅	∅	∅	∅	.162 <sup>*</sup>	.099	2.7	.226 <sup>***</sup>	.071	1.6	.191 <sup>**</sup>	.065	2.7	.197 <sup>***</sup>	.056	2.2						
Empl. perf. quality/efficacy	.091	.090	1.7	.107 <sup>*</sup>	.073	1.3	.117	.095	1.7	∅	∅	∅	.071	.062	1.7	.088 <sup>*</sup>	.049	1.2						
Empl. perf. innovativity	-.087	.059	1.5	-.079 <sup>**</sup>	.049	1.3	.000	.063	1.6	∅	∅	∅	.059	.041	1.6	∅	∅	∅						
Organizat. perf. quality	.071	.092	1.6	.093 <sup>**</sup>	.074	1.3	-.148 <sup>**</sup>	.097	1.6	∅	∅	∅	-.062	.064	1.6	∅	∅	∅						
Organizat. perf. profitability	-.091 <sup>*</sup>	.046	1.4	-.109 <sup>*</sup>	.040	1.2	-.152 <sup>**</sup>	.049	1.3	-.161 <sup>***</sup>	.041	1.1	.045	.032	1.4	∅	∅	∅						
DEPENDENT VARIABLE	Leader support			Leader support			Coworker support			Coworker support			Organization support			Organization support								
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI <sup>+</sup>	8,1	0,63	0,56	84	22,8	0,62	0,60	37	3,2	0,41	0,28	81	12,0	0,34	0,31	23	9,2	0,67	0,60	86	19,9	0,62	0,59	45

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

In Model 32 we show that 'HRM sophistication' is significantly and positively *directly* related to the mediator in terms of 'Leader support' also when we, in addition to the other controls, control for 'Coworker support'. The backward selected Model 32b confirms this result.

In Model 33 we show that 'HRM sophistication' is significantly and positively *directly* related to the mediator in terms of 'Coworker support' also when we, in addition to the other controls, control for 'Leader support'. The backward selected Model 33b confirms this result.

Model 34 provides evidence supporting the fact that both 'Leader support' and 'Coworker support' are significant in relation to 'Organization support'. This offers further evidence of the possibility that they may mediate a relationship between 'HRM sophistication' and 'Organization support'. Again, the backward selected Model 32b confirms this result.

We can also note that in the above analyses 'Strategic fit' did not have significant relationships with either 'Leader support' or 'Coworker support'. However, the relationship between 'Strategic fit' and 'Organization support' is in Models 34 and 34b weakly significantly negative. As already noted, we will return to an interpretation of the role and context of 'Strategic fit' in a separate discussion of strategic fit in section 9.3.5.

**Second level of mediation: Organizational support and psychological empowerment.** We now move to an analysis of the postulated relationships between the support related variables and 'Psychological empowerment'. In one version Model 10, together with the above analyses, already bears witness to such relationships. However, now we include also the additional controls in terms of employee and organizational performance. This analysis (Model 35) is exhibited in Table 33.

Table 33 ...(continues).

Variables	Model 35			Model 35b			Model 36			Model 36b			Model 37			Model 37b								
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF						
Constant	1.54**	.723	-	1.37***	.469	-	1.30**	.626	-	1.34***	.461	-	-.16	1.576	-	.25	1.160	-						
Number of earlier employers	.132*	.065	2.3	.198***	.045	1.2	.033	.056	2.3	∅	∅	∅	.112	.136	2.5	.116	.123	2.2						
Employee age	.088	.055	2.5	∅	∅	∅	.028	.047	2.6	∅	∅	∅	.140*	.110	2.6	.145*	.105	2.5						
Employee tenure	-.022	.055	1.6	∅	∅	∅	-.086*	.046	1.6	∅	∅	∅	-.101	.111	1.7	-.100	.103	1.5						
Prob. of partnership status	.038	.026	1.5	∅	∅	∅	.167***	.022	1.5	.157*	.021	1.4	.230***	.053	1.6	.246***	.049	1.5						
Perceived job opportunities	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.034	.102	1.7	∅	∅	∅						
Recent job offers	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.017	.045	1.4	∅	∅	∅						
Workload	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	-.210***	.119	1.9	-.203***	.096	1.3						
Too big demands	.022	.038	1.4	∅	∅	∅	-.050	.032	1.4	∅	∅	∅	.030	.081	1.6	∅	∅	∅						
Rec. rad. improvem in HRM	-.057	.057	1.6	∅	∅	∅	.026	.048	1.6	∅	∅	∅	.100	.118	1.8	.129*	.090	1.1						
Hierarchy	.034	.032	1.3	∅	∅	∅	.027	.027	1.3	∅	∅	∅	-.052	.064	1.4	∅	∅	∅						
Prospects of organiz. perf.	.194***	.060	1.6	.208**	.051	1.3	.087	.052	1.7	.100**	.045	1.4	.148*	.125	1.8	.179***	.107	1.5						
Organizational image	.087	.044	1.5	∅	∅	∅	-.082	.037	1.5	∅	∅	∅	.113*	.089	1.5	∅	∅	∅						
Strategy	-.078	.032	1.2	∅	∅	∅	.097**	.027	1.2	.102***	.025	1.2	-.048	.068	1.4	∅	∅	∅						
Organization size	-.212***	.055	1.3	-.226***	.049	1.1	-.064	.049	1.4	∅	∅	∅	.043	.120	1.6	∅	∅	∅						
Interactional justice	.158**	.073	2.7	.227***	.056	1.7	.173**	.063	2.7	.127*	.057	2.4	-.175*	.152	3.0	∅	∅	∅						
Procedural justice	-.087	.059	1.9	∅	∅	∅	-.065	.050	1.9	∅	∅	∅	-.031	.118	2.0	∅	∅	∅						
Distributive justice	.000	.060	1.5	∅	∅	∅	.066	.051	1.5	∅	∅	∅	.131*	.121	1.6	.108*	.105	1.3						
Strategic fit	.119**	.059	1.4	.117**	.053	1.2	-.091*	.051	1.5	-.109*	.045	1.2	.063	.121	1.5	∅	∅	∅						
HRM sophistication	.061	.097	2.8	∅	∅	∅	.055	.083	2.8	.107**	.064	1.8	-.041	.196	2.9	∅	∅	∅						
Organization support	.211**	.095	2.8	.211***	.077	1.9	.180**	.082	2.9	.218***	.069	2.1	.272***	.202	3.2	.275***	.148	1.8						
Coworker support	.125*	.066	1.8	.171***	.059	1.5	.101*	.057	1.8	∅	∅	∅	.183**	.137	2.0	.175**	.122	1.6						
Leader support	.110	.070	2.8	∅	∅	∅	-.179**	.059	2.9	-.190***	.054	2.5	.174*	.141	3.0	∅	∅	∅						
Psych. empowerment	∅	∅	∅	∅	∅	∅	.510***	.079	2.5	.540***	.069	1.9	-.373***	.230	3.9	-.291***	.193	2.9						
Aff. value commitment	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	.200**	.219	3.1	.113	.194	2.5						
Aff. continuance com.	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅						
Organizat. citizenship beh.	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅						
Empl. perf: quality/efficacy	.020	.065	1.7	∅	∅	∅	-.111*	.055	1.7	-.099*	.049	1.4	.043	.132	1.8	∅	∅	∅						
Empl. perf: innovativity	.199***	.042	1.5	.216***	.035	1.1	-.053	.037	1.6	-.084*	.034	1.4	.125*	.087	1.6	.111*	.074	1.3						
Organizat. perf: quality	-.095*	.066	1.6	-.062	.053	1.1	.151***	.057	1.6	.141***	.051	1.4	-.122*	.136	1.7	-.085	.112	1.3						
Organizat. perf: profitability	-.029	.033	1.3	∅	∅	∅	.069	.028	1.3	∅	∅	∅	-.125*	.067	1.4	-.108*	.059	1.2						
DEPENDENT VARIABLE	Psych. empowerment			Psych. empowerment			Aff. Value commitment			Aff. Value commitment			Aff. Cont. commitment			Aff. Cont. commitment								
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	7,4	0,60	0,52	79	19,0	0,56	0,53	36	9,7	0,67	0,60	82	19,3	0,64	0,61	48	3,8	0,49	0,36	96	6,7	0,44	0,38	61

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

Table 33 ...(continues).

Variables	Model 38			Model 38b				
	β	s.e.	VIF	β	s.e.	VIF		
Constant	1.39**	.672	-	.76	.568	-		
Number of earlier employers	-.092	.060	2.3	∅	∅	∅		
Employee age	.055	.050	2.6	.094*	.035	1.4		
Employee tenure	.015	.050	1.7	∅	∅	∅		
Prob. of partnership status	.002	.024	1.6	∅	∅	∅		
Perceived job opportunities	∅	∅	∅	.147***	.038	1.4		
Recent job offers	∅	∅	∅	∅	∅	∅		
Workload	∅	∅	∅	.133***	.044	1.4		
Too big demands	.052	.034	1.4	∅	∅	∅		
Rec. rad. improvem in HRM	-.186***	.052	1.7	-.126**	.046	1.5		
Hierarchy	-.091*	.028	1.3	-.113**	.027	1.3		
Prospects of organiz. perf.	.113*	.056	1.8	.103**	.050	1.6		
Organizational image	.201***	.040	1.5	.180***	.037	1.5		
Strategy	.103**	.029	1.3	.101**	.027	1.3		
Organization size	-.096*	.052	1.4	-.101**	.047	1.4		
Interactional justice	-.101	.068	2.8	∅	∅	∅		
Procedural justice	.027	.053	2.0	∅	∅	∅		
Distributive justice	-.027	.055	1.6	∅	∅	∅		
Strategic fit	-.139**	.054	1.5	-.168**	.049	1.4		
HRM sophistication	.281***	.087	2.8	.213***	.074	2.3		
Organization support	-.062	.090	3.1	-.118***	.070	2.1		
Coworker support	.158**	.061	1.9	.230*	.055	1.7		
Leader support	-.052	.064	3.0	∅	∅	∅		
Psych. empowerment	.318***	.101	3.6	.183***	.092	3.4		
Aff. value commitment	.250***	.100	3.1	.241***	.086	2.6		
Aff. continuance com.	.031	.042	1.9	∅	∅	∅		
Organizat. citizenship beh.	∅	∅	∅	∅	∅	∅		
Empl. perf: quality/efficacy	-.058	.059	1.8	-.082***	.053	1.6		
Empl. perf: innovativity	.197***	.039	1.6	.213**	.035	1.5		
Organizat. perf: quality	-.158***	.062	1.7	-.162***	.055	1.6		
Organizat. perf: profitability	-.085*	.030	1.4	∅	∅	∅		
DEPENDENT VARIABLE	Organizat. citizenship behavior			Organizat. citizenship behavior				
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	9,4	0,68	0,61	90	15,6	0,70	0,65	71

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index /

Ø = Variable not included in model

Model 35 supports the fact that 'Organization support' is significantly related to 'Psychological empowerment' and may thus mediate both the relationship between 'Leader support' and 'Psychological empowerment' and that between 'Coworker support' and 'Psychological empowerment'. This is in congruence with regression Models 10 and 10b as well as structural equation Models 31a (and 31b)<sup>448</sup>.

With the performance controls, there is also in this analysis a direct relationship between 'Strategic fit' and 'Psychological empowerment' which is somewhat stronger than in Model 10

<sup>448</sup> These results are somewhat different from the ones obtained in the structural equation analyses above in that based upon Model 35 there appears also to be a weakly significant direct relationship between 'Coworker support' and 'Psychological empowerment'.

but in line with Model 10b in both cases of which the performance controls were not included. As noted, we will comment explicitly on the role of strategic fit below. The relationships between 'HRM sophistication', the mediating variables in terms of support and 'Psychological empowerment' are essentially unaffected by 'Strategic fit'.

*Unexpectedly* organizational performance in terms of quality appears to be negatively rather than positively related to 'Psychological empowerment' in this analysis. Here a one-tailed significance test is thus clearly problematical. We will return to this relationship below. All these relationships are also supported by Model 35b which is the result of including the employee and organizational performance controls in Model 10b and then applying backward selection.

**Third level of mediation: Organization support/psychological empowerment and affective value commitment.** Models 16 and 16b already bears witness to a relationship between 'Psychological empowerment' and 'Affective commitment' but no direct relationship between the latter and 'Organization support'. However, now we include also the additional controls in terms of employee and organizational performance. This analysis (Model 36) is exhibited in Table 33.

Model 36 shows that including the employee and organizational performance controls, and thus controlling for possible reverse causations from these directions, there is a significant positive relationship between 'Psychological empowerment' and 'Affective commitment' offering more support for the overall model (Figure 4). In addition, Model 36, in some contrast to Model 16 but in line with Model 16b, indicates that there is a strongly significant positive relationship between 'Organization support' and 'Affective commitment' as well as a strongly significant negative relationship between 'Leader support' and 'Affective commitment'<sup>449</sup>.

Thus based on all the above analyses 'HRM sophistication' appears to be (potentially significantly) positively related to 'Affective commitment' partly as mediated by 'Coworker support', 'Leader support', 'Organization support' and 'Psychological empowerment'. This is in line with the exploratively postulated extended overall model (Figure 4) and the structural equation Models 31a and c.

*Unexpectedly* employee performance in terms of quality/efficiency appears to be (weakly) negatively rather than positively related to affective value commitment in this analysis. Here a one-tailed significance test is thus problematical. We will return to this relationship below. All these results are also confirmed by Model 36b which is the result of including the employee and organizational performance related variables in Model 16b and then applying backward selection.

**Fourth level of mediation: Organization support/psychological empowerment/affective value commitment and affective continuance commitment.** Models 22 and 22b as well as Models 31a and 31c already indicate that the only theoretically focal variable with which 'Continuance commitment' stands in a significant direct relationship appears to be 'Organization support', perhaps also 'Coworker support'. However, in addition to all the

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<sup>449</sup> The positive influence of leader behavior is here, as in Models 15 and 16, accounted for exclusively by 'Interactional justice' (compare footnote 420 above). Again, the direct relationship between 'Affective commitment' and 'Organization support' is distinct from the results of the structural equation Model 37.

other controls we now include also the controls in terms of employee and organizational performance. This analysis (Model 37) is exhibited in Table 33.

Model 37 shows that including the employee and organizational performance controls, and thus controlling for possible reverse causations from these directions, there appears to be a positive relationship between 'Continuance commitment' and 'Affective commitment' which was not detectable when the performance controls were excluded (compare Models 22 and 22b). This offers indicative support for the (exploratively) postulated model. In addition, as in Models 21, 22 and 22b, 'Continuance commitment' also exhibits a strongly significant negative relationship with 'Psychological empowerment' which we interpreted in connection to Model 21 above. This confirms a contradictory element in the proposed model/theorizing. This negative relationship was also weakly significant in structural equation Model 31b. Further, in Model 37 'Continuance commitment' exhibits a significant positive relationship with 'Organization support' and 'Coworker support' as well as a weakly significant positive relationship with 'Leader support'. This is compatible with Models 31a-d and indicates that HRM may have a positive indirect influence on continuance commitment as mediated directly by several of these variables rather than only by 'Organization support' and 'Affective commitment' as suggested in our extended overall model. However, somewhat different relationships are supported by Model 37b which is the result of including the employee and organizational performance related controls in Model 22b, then applying backward selection and finally including 'Affective commitment'. In line with Model 22b, Model 37b supports significant relationships between 'Continuance commitment' and both 'Organization support' and 'Coworker support'. In line with Models 22 and 22b Model 37b does not confirm a significant relationship between 'Affective commitment' and 'Continuance commitment' nor even a weakly significant one between the latter and 'Leader support'.

From all the above analyses we can thus conclude that HRM sophistication may have some (potentially significant) positive indirect effects also on continuance commitment but only marginally in accordance with the postulated extended model.

*Unexpectedly* both of the organizational performance variables appears to be negatively rather than positively related to 'Continuance commitment' both in Models 37 and 37b. Here a one-tailed significance test is thus again problematical. We will return to these relationships below.

**Fifth level of mediation: Organization support/psychological empowerment/affective value commitment/affective continuance commitment and organizational citizenship behavior.** We will now analyze whether there are direct significant relationships between 'Organization support', 'Psychological empowerment'/Affective commitment'/Continuance commitment and 'Organizational citizenship behavior' as suggested by our overall model. In one version Model 30 already bears witness to such effects with the exception of a relationship between 'Continuance commitment' and 'Organizational citizenship behavior'. However, now we will include also the additional controls in terms of organizational performance. This analysis is exhibited in Table 33.

Model 38 indicates that, including also the organizational performance controls, and thus controlling for possible reverse causations from these directions, a large part of HRM's total influence on organizational citizenship behavior appears to be (potentially significantly) indirect. This is the case since there is a direct relationship between 'Psychological empowerment' and 'Organizational citizenship behavior' and a direct relationship between 'Affective commitment' and 'Organizational citizenship behavior'. However, not even with the organizational performance controls is there a direct positive relationship between

'Organization support' and 'Organizational citizenship behavior' (compare Models 26-30b). However, there appears to be a direct relationship between 'Coworker support' and 'Organizational citizenship behavior'. These relationships are essentially similar to the ones in Models 30 and 31d and thus independent of whether we control for organizational performance or not. Also Models 30b and 38 b confirm these relationships with the difference that if anything, they indicate a (difficult to understand) negative residual relationship between organization support and organizational citizenship behavior<sup>450</sup>.

*Unexpectedly*, Model 38 indicates a negative relationship between both of the organizational performance variables and 'Organizational citizenship behavior' whereas in Model 38b only a negative relationship between 'Organizational citizenship behavior' and the variable tapping organizational performance in terms of quality is confirmed. These results are in contrast to the literature on the importance of organizational citizenship behavior. We will return to this issue when analyzing antecedents to organizational performance.

### 9.3.4 Reflections on the evidence for the exploratively extended model

We have to remember that in partial correlation analysis we look for significant partial correlations where the influence of the other included (control) variables have been partialled out and their causal influence thus more justifiably ruled out. Thus,

"[a] partial correlation between two variables is the correlation between those parts of the variables that are not predictable from the control variables" (Cliff, 1987, p. 110).

In this thesis we try to show what we can say when we rule out a set of possible alternative explanations, most of which have been argued to be relevant by other researchers. However, someone might still want to argue that some theoretically relevant lower- or zero-order correlations are ruled out if as many control variables are included as in the above analyses. The possible correlations shared by our focal theoretical variables and our controls do not rule out additional causal influences of the focal variables. Nevertheless, any lower-order correlations would clearly only represent evidence in a weaker sense. Thus, the less control variables used, the more "ornamentational" is the evidence. The partial (residual) correlations which can be brought forward together with an as adequate set of control variables as possible represent the most justified cross-sectional evidence of possible distinct causal relations.

The question of relevant controls is clearly a *theoretically* important question. The controls are not part of a theory but can be considered as necessary for a theory to *imply* any predictions/explanations (Putnam, 1974/1991, p. 124). Controls are part of the auxiliary statements needed when testing a theory. This has as a consequence that a theory itself cannot be straightforwardly falsified even by a set of unsuccessful predictions (explanations). If an empirical test of a theory does not yield acceptable predictions (explanations) then we cannot be sure whether there is something wrong with the theory or with the auxiliary statements, e.g. included or excluded control variables (Putnam, 1974/1991, pp. 124-127). Auxiliary statements also include the operationalizations and everything else which is involved in carrying out the empirical test.

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<sup>450</sup> Model 38b is the result of including the organizational performance variables in Model 30b and then applying backward selection.

*Summarizing all the above analysis of the extended overall model it can be concluded that the data is more or less consistent with the exploratively postulated understanding of the potential mechanisms of HRM's influence on our focal intermediate attitudinal constructs.*

One clear contradictory element with reference to the relationships between the intermediate attitudes is, based upon the regression analyses, that psychological empowerment seem to be negatively related to continuance commitment (Models 21-22b; 37-37b). Thus HRM appears to have both some positive and some negative (potentially significant) indirect influence on continuance commitment. In fact, the evidence for possible influences of HRM on continuance commitment appears to be only marginally in accordance with our expectations.

The latter fact is due to another related element not consistent with reference to the suggested overall model. In the structural equation Models 31a and 31b it turned out that the best fit was achieved by constraining the relationships between both 'Psychological empowerment' and 'Continuance commitment' as well as, in Models 31a and 31c, 'Affective commitment' and 'Continuance commitment' and instead estimating the direct relationship between 'Organization support' and 'Continuance commitment'. The strong relationships between the support related variables, in terms at least of 'Coworker support' and 'Organization support' and affective continuance commitment is also supported by the regression analysis (Models 20-22b; 37-37b). However, in contrast to Models 31a and 31c as well as Models 22, 22b and 37b, Model 37 supported a suggested relationship between affective value commitment and affective continuance commitment. Nevertheless, the marginal significance of this relationship indicates that HRM's relationship with continuance commitment as mediated by affective commitment will not be significant. Even though supported by only one Model this relationship will be included in the overall structural equation test of the significance of direct and indirect relationships below.

We have also found some evidence for a potentially significant marginal and arguably implausible negative indirect influence of HRM on affective commitment through leader support (Models 15-16b; 36-36b). Further, we found some evidence, difficult to understand, for a negative residual direct relationship between 'Organization support' and 'Organizational citizenship behavior' (Models 30b and 38b).

Although all these analyses naturally would have to be corroborated. The above analyses at least seem to offer fairly intelligible explanations of (some of) the ways HRM might be related to the focal theoretical attitudinal constructs, and in extension, possibly employee and organizational performance<sup>451</sup>. However, we already noted also a preliminary set of unexpected and complicating correlations between the intermediate attitudes and employee/organizational performance. In any case, so far the following direct relationships (exhibited in Figure 6) have been supported when controlling for all the potential exogenous influences as well as employee and organizational performance<sup>452</sup>.

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<sup>451</sup> The corroboration/replication of a complex model (together with a large number of control variables) is clearly less probable than the corroboration of a simpler analysis. Thus it might be argued that we should keep our analyses simple. However, we see no reason to keep the analyses simple only to increase the probabilities of corroboration/replication if keeping them simple more or less obviously goes against all sound judgement about the complexity of the domain of interest.

<sup>452</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The sign '(-)' denotes negative relationships. Further:



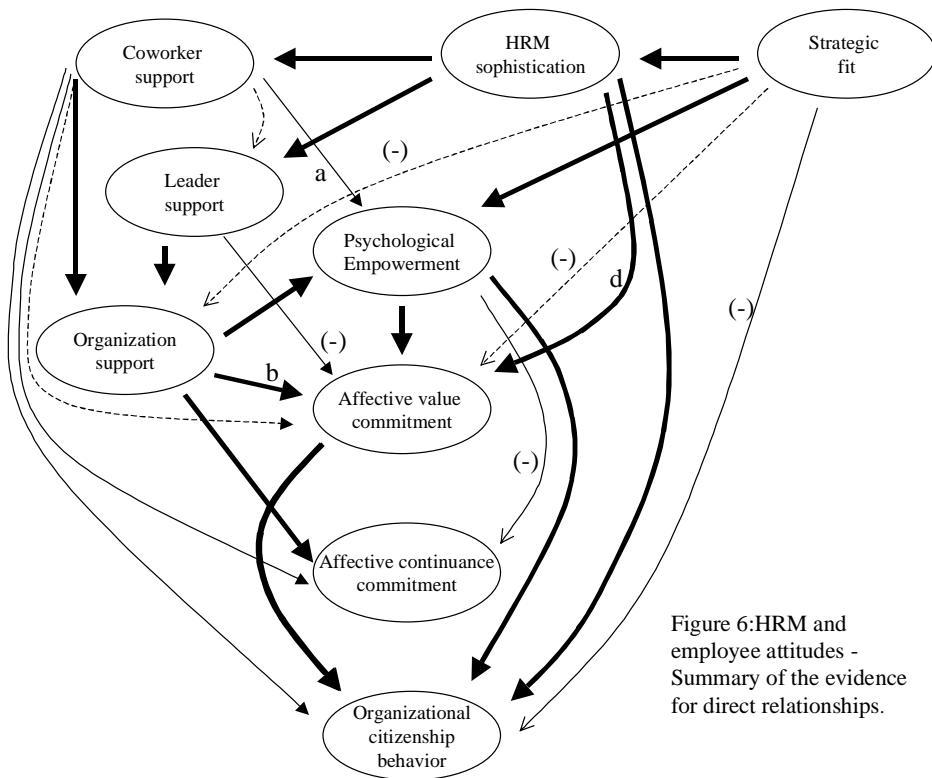


Figure 6:HRM and employee attitudes - Summary of the evidence for direct relationships.

HRM and individual employees always exist within a larger social structure, in particular in organizations like those under study where team- and project work is prevalent. Considerations of this structure in terms of the support related variables indicate that HRM, independently of this social structure, appears unable to explain variation in psychological empowerment, affective continuance commitment and only somewhat ambiguously in affective value commitment. Our argument is in general that no matter how sophisticated the HRM system is, psychological empowerment, affective value commitment, affective continuance commitment and also organizational citizenship behavior exemplify phenomena which are fundamentally and largely influenced by a broader social context.

There could very well be individuals who, and contexts where individuals tend to, care more exclusively e.g. about their individual compensation, benefits, employment security and development programs. In such cases it is conceivable that the above mentioned attitudinal phenomena would be directly influenced by HRM. These analyses also naturally do not rule out that HRM might in itself directly affect our focal intermediate constructs if one introduces them e.g. in a low-support-organization. However, on average it seems after all plausible that

(a) In Model 35 only weakly significant;

(b) In Model 16 only weakly significant;

(c) There is a significant relation between aff. value and continuance commitment in Model 37 but not 37b.

(d) Strongly significant only in the backward selected Model 36b

The role of strategic will be interpreted in section 9.3.5 below.

these phenomena are more strongly holistically influenced by the broader social context and that HRM's influence on them is largely indirect.

This would also be in line with the long-term nature of effects of HRM investments, because at least part of HRM's influence would involve its contribution to the creation of a whole social setting or organizational culture if you will. The analyses also appear consistent with, although not exactly testing, Mueller's arguments suggesting that HRM effects are dependent on the more holistic (social) context as well as his arguments against HRM as a simple or "quick fix" (1996, p. 771 ). Mueller conceptually argues that

"what is truly valuable is the 'social architecture' that results from ongoing skill formation activities, incidental or informal learning, forms of spontaneous co-operation, the tacit knowledge that accumulates as the – often unplanned – side effect of intentional corporate behavior. Thus corporate prosperity typically rests in the social architecture that emerges slowly and incrementally over time, and often predates the tenure of current senior management. The social architecture is created and re-created not only or even primarily at senior management levels in the organization, but at other levels too, including at workgroup level on the shop-floor" (ibid., p. 777).

Independent of how valuable any such an architecture *de facto* is for corporate prosperity, our mediational arguments and evidence are consistent with the possibility that HRM, which is deemed adequate by employees, can contribute to a kind of social architecture. Our evidence is also congruent with the fact that HRM through such a social architecture may lead to some additional attitudinal consequences in terms of psychological empowerment, affective value commitment, organizational citizenship behavior and perhaps even affective continuance commitment. These results are also fairly congruent with the social context theorization of HRM's influence proposed by Ferris et al. (1998). As we shall see, our analyses below will however also pose a considerable challenge to the more or less implicitly assumed meaning and value of these attitudes and behaviors (and the social architecture identified by us) in terms of their performance effects.

In general our results so far seem to underscore the observation (whatever "originally thought" refers to) that

"the process of changing employee attitudes and behaviors may be even more complex than originally thought" (Settoon et al, 1996, p. 225).

Both Settoon et al. and Wayne et al. (1997) refer to their evidence for differential effects of leader-member-exchange and organization support on organizational citizenship behavior, organizational commitment and in-role employee behaviors (a kind of evidence which we criticized in section 8.2.4). Our analyses are however more or less indicative of a complexity in the internal network of relationships with a more or less common direction. The existence of such relationships are also potentially latent in the results of both Settoon et al. (1996) and Wayne et al. (1997). Wayne et al.'s analyses for example, although not explicitly noted by the authors, indicate the possibility of an effect of leader-member-exchange relationships on affective commitment and organizational citizenship behavior mediated by organization support (1997, p. 101). This is in line with our results.

However, as noted above, our results also indicate some potential conflicts in "the process of changing employee attitudes", i.e. in terms of achieving *both* affective commitment *and* better employee performance in terms of quality/efficiency (Models 36 and 36b), *both* psychological empowerment *and* continuance commitment (Models 37 and 37b), as well as *both* organizational citizenship behavior *and* employee performance in terms of quality/efficiency

(Models 27-30b and 38b). The question whether these incoherent elements should be viewed as indications of problems with current theorizing, with our data, or multicollinearity problems will be further pursued below where we deal also with the additional conflicting evidence, notably in terms of the relations that organizational performance bears to psychological empowerment, organizational citizenship behavior as well as affective continuance commitment respectively. The problematic nature of these relationships were already indicated in Models 35-35b, 37-37b and 38-38b.

With reference to earlier research on the intermediate phenomena, our data and analyses also indicate for example, in contradiction to e.g. Wayne et al. (1997, p. 101) and Moorman, Blakely and Niehoff (1998, p. 547), that organizational support is not significantly distinctly and directly and positively related to organizational citizenship behavior (Models 26-30b; 38b).

Our results further indicate that the relationships between interactional justice and organizational citizenship behavior found by Moorman (1991, p. 852) would be in need of considerable theoretical and empirical backup. Our results (Models 23-24) confirm Moorman's findings that "interactional justice was the only source of justice related to OCB" (ibid., p. 852). However, when we then added the HRM variables (Model 25), 'Interactional justice' became insignificant. This insignificance was also supported by the backward selected Models 30b and 38b. Of course, there are possibilities to argue for more detailed mediational effects including 'Interactional justice' but these would have to be argued for and tested in more complex models.

Based on our data a similar conclusion apply to the relation between procedural justice and organizational citizenship behavior found by Niehoff and Moorman (1993, p. 547) and Moorman, Blakely and Niehoff (1998, p. 355).

In line with earlier research, our analyses (Model 15) suggests a relationship between organization support and commitment which in our case means 'Organization support' and 'Affective commitment' (compare e.g. Setton et al, 1996, p. 224). However, our analyses also indicate that at least in knowledge intensive and interactive contexts this relationship may at least partly be mediated by psychological empowerment. In Model 16 'Organization support' is only weakly significant in terms of a one-tailed significance test and Model 31a and c indicates no direct relationship. In Model 36, however, where we control also for employee and organizational performance, the direct relationship between 'Organization support' and 'Affective commitment' is strongly significant. This is the case also in the backward elected Models 16b and 36b.

Comparisons such as the above tell us much less than they could do if researchers would be able to agree upon using the same (validated) constructs. Some of the above comparisons are even more liable to the accusation of comparing "apples and oranges" in that in some of the above mentioned research separate dimensions of e.g. organizational citizenship behavior have been used in the analyses instead of a multidimensional construct. Any of the above comparisons are thus at the most indicative already for this reason.

The evaluation of our results is inextricably connected to the question of the adequacy of our controls/mediators. This is as it should be. The question of proper controls/mediators is an

important theoretical question which arguably should be pursued more rigorously<sup>453</sup>. Here we have only (largely based on earlier research in addition to our own intuitions) included controls which at least seem to be relevant. It may also still be the case that other (exogenous) organizational processes account for any or even all of the positive relations in our models. Such possibilities have to be theoretically and empirically pursued by future research. We have also tried to show what our data indicates under certain fairly simplistic assumptions about the direction of main effects largely consistent with earlier theorizing and evidence.

Our analyses and the comparisons of our results with those of earlier research clearly do indicate that HRM theorizing, and research on organizational behavior in general, is in need of theoretical development. The most widely adopted loose exchange theoretical arguments seem insufficient to distinguish and produce order among the multiple potential relationships between the many constructs related to organizational behavior.

In order for research to be able to further explore these relationships our validation analyses indicate that the field also needs the sharpening of measurement instruments and constructs. Although more and more efforts in this direction are discernible, our analyses thus indicate that the exhortation by Schwab (1980) is still highly relevant, i.e. organizational behavior researchers need to "emphasize construct validity more strongly in their research activities" (cited in Nystedt et al., 1999, p. 40). As difficult as it may be such emphasis should apparently involve not only the presentation of validities and reliabilities of a fairly limited amount of constructs (in isolation) in connection to ongoing empirical research. It should also involve the explicit development (and testing) of an arsenal of relevant and valid constructs. Such testing should try to exclude common method errors which may cause many of the validity problems for example in our study. Until such development and testing has been more thoroughly carried out, researchers may be fumbling more or less in the dark (compare Pfeffer, 1993).

However, one can argue that such development is exactly what is slowly taking place and that there are no shortcuts to good constructs. As already noted above, convergent and discriminative validity are not the only criteria for good theoretical constructs (sections 8.4.1 – 8.4.2). Such constructs also have to exhibit interesting nomological validities. Neither of these two aspects of constructs should be pursued in complete isolation. Compare Rorty's argument (discussed in more detail in section 2.3.1)

"that the truth of an utterance depends on just two things, what the words mean and how the world is arranged...[and] these two inquiries cannot be conducted separately (1991, p. 138).

This twofold inquiry necessarily involves a large amount of trial and error. In particular concerning social science it is conceivable that it involves an endless series of such trials and errors which will never lead to larger scale agreement on commendable truths and falsities. However, the emphasis on issues of convergent and discriminant validities (as well as reliabilities) should arguably still be further stressed<sup>454</sup>.

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<sup>453</sup> As noted earlier, if such pursuit is not undertaken, the generally substantial correlations between many of the constructs of organizational behavior may produce a happy family of researchers where too many hypotheses are supported.

<sup>454</sup> There is a fairly intense ongoing debate concerning at least the construct/s of organizational commitment and its/their dimensions. However, also here it seems that much of this research is taking place fairly independent of

The need for validated and theoretically motivated and agreed upon constructs becomes more apparent the more we dive into the intricacies of the issue and mechanisms of HRM's possible importance including the complex interrelations between organizational behavioral phenomena. The problems of this intricacy, complexity and ambiguity seems to exist regardless of whether researchers pay explicit attention to it in their models or not. This research is largely motivated by exploring the complexities and ambiguities involved. At least as much as our analyses and arguments suggest certain relations and directions of influence our results also challenge both the HRM and the organizational behavior research communities to more rigorous conceptual/theoretical development.

### 9.3.5 The issue of strategic fit and the intermediate attitudes.

Based upon the regression analyses 'Strategic fit' appears to have a direct significant relationship with 'Psychological empowerment' (Model 10 and 10b). The structural equation models 31a (but not 31b) also bears witness to such a significant positive direct relationship. In addition, the latter models provide evidence for a significant positive indirect relationship between these two variables ( $\beta = 0.12$ ;  $t$ -value = 2.45 which, utilizing a one-tailed test, here means  $p \approx 0.01$ ) in line with our exploratively postulated overall model and the theorizing in section 3.3.2.3.

'Strategic fit' also appears to have a distinct but only weakly significant negative relationship with 'Affective commitment' when we control for employee and organizational performance (Model 36). This relationship was not detectable at all when all the other control variables except those related to employee and organizational performance were included (Models 13-16), nor in the structural equation Models 31a or 31c. The relationship between 'Strategic fit' and 'Affective commitment' was however strongly significant in the backward selected Model 16b as well as weakly significant in the backward selected Model 36b. Thus, it appears that the negative relationship between 'Strategic fit' and 'Affective commitment' becomes most discernible when organizational performance is controlled for. This could be due to reverse causation from organizational performance to either one or both of the former variables. However, Models 31a also provides evidence of a positive indirect relationship between 'Strategic fit' and 'Affective commitment' ( $\beta = 0.24$ ;  $t$ -value = 2.98 which, utilizing a one-tailed test, here means  $p \approx 0.005$ ) which is partly the result of the positive direct relationship between 'Strategic fit' and 'Psychological empowerment'. Finally, Model 31c provides evidence also of an indirect relationship between 'Strategic fit' and 'Affective commitment' ( $\beta = 0.09$ ;  $t$ -value = 2.16 which, utilizing a one-tailed test, here means  $p \approx 0.05$ ) in line with our exploratively extended model (Figure 4) and the theorizing in section 3.3.2.3.

Based upon the regression analyses 'Strategic fit' appears to have no significant direct relationship with 'Continuance commitment' (Models 18-22b and 37-37b). However, based on the structural equation Model 31a, c and d, where we do not allow for the negative direct relationship between 'Psychological empowerment' and 'Continuance commitment', 'Strategic fit' appears to have a significant positive indirect relationships with 'Continuance commitment' ( $\beta = 0.10$ ;  $t$ -value = 2.45 which, utilizing a one-tailed test, here means  $p \approx 0.01$ ). This indirect relationship is (only) partly in accordance with the exploratively extended overall model

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many other organizational behavior related constructs already in existence and in relation to which a fruitful construct of organizational commitment arguably should display adequate discriminative validity. At least such independence seem to be the case based upon an arbitrary check with some of the articles which indicate the validity of three different constructs of organizational commitment as reported by Allen and Meyer (1996).

(Figure 4). In addition, in Model 31b, where we do allow for direct relationship between 'Psychological empowerment' and 'Continuance commitment', 'Strategic fit' does not stand even in a significant indirect relationship with 'Continuance commitment' ( $\beta = 0.04$ ;  $t$ -value = 0.72).

Models 24-30b and 38-38b provide evidence of a significant negative relationship between 'Strategic fit' and 'Organizational citizenship behavior'. However, Model 31d also provides evidence of a positive indirect relationship between 'Strategic fit' and 'Organizational citizenship behavior' ( $\beta = 0.14$ ;  $t$ -value = 2.25 which, utilizing a one-tailed test, here means  $p \approx 0.05$ ) which is partly in line with the exploratively extended model. Even if we constrain the direct relationship between 'HRM sophistication' and 'Organizational citizenship behavior' in this model, the indirect relationship between 'Strategic fit' and 'Organizational citizenship behavior' is significant as mediated by 'HRM sophistication' and further by the support related variables<sup>455</sup>.

The above regression analyses do invite some interesting reflections on the role and context of strategic fit. When controlling for HRM sophistication as well as a host of other phenomena, excluding the support related variables, 'Strategic fit' does not in addition to 'HRM sophistication' appear to have any direct (distinct) significant relationship with 'Psychological empowerment' based upon Model 9. However, a distinct direct relationship between 'Strategic fit' and 'Psychological empowerment' becomes significantly positive when we in addition to 'HRM sophistication' also control for the support related variables (Models 10 and 10b). In particular, although not shown in the exhibited analyses, this relationship becomes significant when we add 'Organizational support' to the equation. This relationship is also significant when we control for employee and organizational performance (Model 35 and 35b).

Further, 'Strategic fit' appears, based upon Models 32-32b and 33-33b, to have no significant direct relationship with either 'Leader support' or 'Coworker support' (irrespective of whether we control for the other support related phenomena or not). However, interestingly 'Strategic fit' appears to have a (weakly significant) negative direct relationship with 'Organization support' (Models 34 and 34b)<sup>456</sup>.

The results with reference to psychological empowerment and the support related variables might be interpreted to indicate that also something closer to "hard HRM", on the margin, positively influences psychological empowerment. This aspect of the results seems at least to some extent to remind us of the kind of organizational context described by Keenoy, where the policy from the point of view of management is that

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<sup>455</sup> The significance of all the above indirect relationships will be further pursued below in a full structural equation model with composite scores including also all such control variables visavi particular outcome variables in relation to which the controls are strongly significant in the respective regression analyses.

<sup>456</sup> However, as is the case concerning the relationships between 'Strategic fit' and both "Affective commitment" and 'Organizational citizenship behavior', Model 31a provides evidence for a significant positive indirect relationship between 'Strategic fit' and 'Organization support' (as well as 'Leader support' and 'Coworker support' and 'Organizational Citizenship Behavior'). The latter relationships are mediated by 'HRM sophistication' and this evidence is consistent in Models 31a-d. It may also be noted that the weakly significant negative relationship between 'Strategic fit' and 'Organization support' in Model 34b would become insignificant ( $\text{sig.} = .27$ ) if we would include the likewise insignificant variable 'Organizational performance: quality' ( $\text{sig.} = .23$ ) in Model 34b.

“having provided employment security, empowered employees to take any problem to supervision (and expect to be listened to), provided a safe and equitable working environment, given employees individual performance targets and individual pay rates - in short, having given employees all the support necessary for them to perform at the level required by the company – then, there are ‘no excuses if something goes wrong’ (1999, p. 14).

It is also consistent with this interpretation that in contexts closer to "hard HRM" both affective value commitment and the motives for organizational citizenship behavior would be less and the motives for personal "survival" perhaps stronger. Some evidence for this is provided by the (weakly significant) negative direct relationship between 'Strategic fit' and 'Affective commitment' (Models 16b, 36-36b) and the strongly significant direct negative relationship between 'Strategic fit' and 'Organizational citizenship behavior' in Models 24-30b and 38-38b. Finally, the highly tentative evidence in terms of Model 50 (Table 37 and Table 38) in section 9.4 suggests a weakly significant negative total effect of strategic fit on both affective value commitment and affective continuance commitment whereas the total effect of strategic fit on organizational citizenship behavior according to that evidence appears negative but not significant. This evidence excludes the indirect relationships between strategic fit and the above attitudinal variables as mediated through the direct relationship between strategic fit and psychological empowerment. Thus, it only reflects the relationship between strategic fit and affective value commitment, affective continuance commitment and organizational citizenship behavior in terms of direct relationships as well as in terms of mediations by the HRM system and the variables related to social support. This evidence seems to be in accordance with the above interpretations.

Thus, based upon the structural equation models as well as the regression models there is some evidence of a total positive effect of the “softer” HRM system (i.e. HRM sophistication) on most of the intermediate attitudinal variables. However, excluding the direct relationships between strategic fit and the sophistication of the HRM system on the one hand, and strategic fit and psychological empowerment on the other hand, the evidence interestingly suggests that the potential effect on the attitudes of a managerially identified “harder” strategic fit is largely negative rather than positive<sup>457</sup>.

#### 9.4 HRM, INTERMEDIATE ATTITUDES AND EMPLOYEE / ORGANIZATIONAL PERFORMANCE

Having provided evidence for the above potential mechanisms of the influence of HRM we return to the testing of our original hypotheses concerning HRM's (indirect) relationship with the performance related outcomes.

**Structural equation analysis.** Figure 7 exhibits a "full" structural equation model of the relationships postulated by the exploratively extended model to the exclusion of organizational citizenship behavior and exogenous controls. Model 39a provides some further general support for a structure consistent with the suggested model.

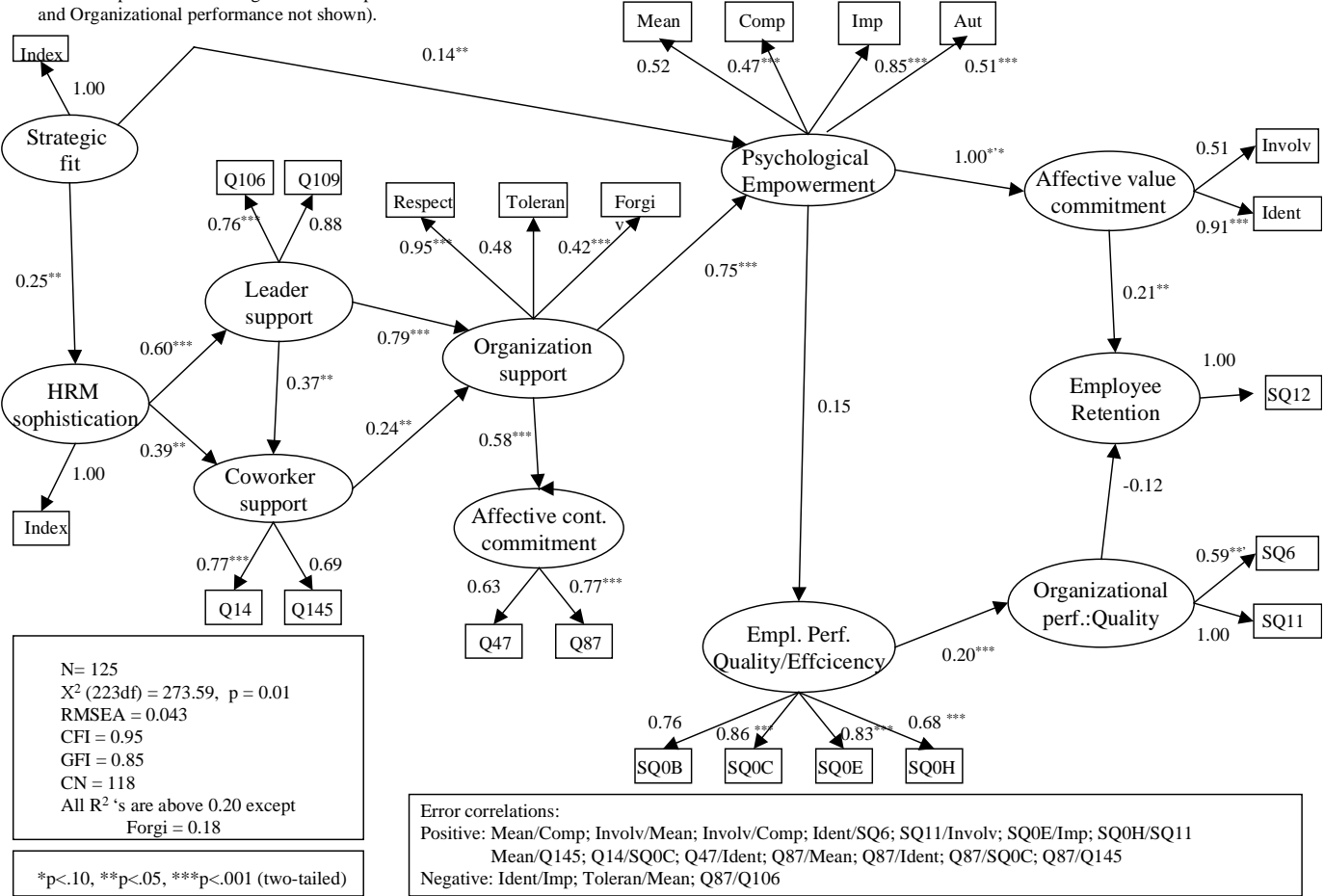
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<sup>457</sup> It is however important to remain cautious here. As opposed to the case with 'Strategic fit', there are likely to be effects of common method error in the results with reference to the relations between the support related variables, 'HRM sophistication' and our focal intermediate variables. These may account for the differences in the structure of relations with reference to 'HRM sophistication' and 'Strategic fit'. In addition, these results naturally depend on how the superiors have interpreted the phenomenon of strategic fit based on our operationalizations.





Figure 7: Model 39a (significant direct relationships between Strategic fit/HRM sophistication and Organizational performance not shown).



Crossloadings: Organizational perf.:Quality-Respect (-0.13\*\*)

In congruence with Model 3, Model 39a provides some evidence of a direct relationship between HRM sophistication and organizational performance in terms of quality thus *providing more support for hypothesis 5b*. Model 39a also provides evidence for a direct relationship between such organizational performance and strategic fit and thus *support for hypothesis 4b*. The latter result may be due to common method errors. Further, Model 39a also provides evidence for a significant (one-tailed test) indirect relationship between strategic fit and organizational performance in terms of quality mediated (only) by HRM sophistication ( $\beta = 0.05$ ;  $t$ -value = 1.85 which, utilizing a one-tailed test, here means  $p \approx 0.05$ ). This result is (at least partly) in line with the general theorizing in section 3.3.2.3. Model 39b (exhibited in appendix 6a) provides evidence of the same structure of relationships with reference to 'Profitability' and thus, in congruence with Model 4, *some support for hypotheses 4a and 5a*. However, the direct relationship between 'HRM sophistication' and 'Profitability' is in Model 39b only weakly significant and so is thus also the indirect relationship between 'Strategic fit' and 'Profitability' ( $\beta = 0.04$ ;  $t$ -value = 1.52 which, utilizing a one-tailed test, here means  $p \approx 0.10$ ) as mediated (directly) by 'HRM sophistication'.

The mediating variable in terms of 'HRM sophistication' is at least not involved in common method errors in relation to either 'Strategic fit' or the organizational performance variables. However, also the relationship between 'HRM sophistication' and the organizational performance variables may be due to cognitive biases (March and Sutton, 1997, pp. 700-701), illusory or spurious correlations due to implicit theories and/or reverse causations (Wright and Gardner, 2000, pp. 7-9). These are relevant possibilities in particular as, most importantly, these models provide no strong support for the role of the suggested mediational framework (section 7.1; section 9.3.2) in terms of explaining the direct relationships between HRM and organizational performance.

The indirect (explained) relationship between HRM sophistication and organizational performance is at the most only weakly significant ( $t = 1.37$  which, utilizing a one-tailed test, here means  $p \approx 0.10$ ). This is the case with reference to 'Organizational performance:quality' in Model 39a. In Model 40a the indirect relationship between HRM sophistication and organizational profitability is clearly insignificant ( $t = 0.53$ ). The indirect relationship between HRM sophistication and organizational performance in terms of quality is also clearly insignificant ( $t = 0.86$ ) in Model 39b. The indirect relationship between HRM sophistication and organizational performance in terms of profitability in fact appears negative ( $t = 1.67$  which, when utilizing a one-tailed test, here would mean  $p \approx 0.05$ ) in Model 40b. *In summary thus, applying a one-tailed test of significance Model 39a provides some weakly significant (partial) support for the overall exploratively extended model in terms of an explained relationship between HRM sophistication (but not strategic fit) and organizational performance in terms of quality.*

Models 39a and 39b do not provide support for a strongly significant relationship between 'Psychological empowerment' or any of the other intermediate attitudinal constructs and the variable measuring the quality/efficiency of employee work performance and thus *no strong support for hypothesis 7a*. Applying a one-tailed significance test the relationships between 'Psychological empowerment' and 'Employee performance: quality/efficiency' as well as the indirect relationship

between the latter and 'HRM sophistication' are however both weakly significant, in Model 39a and b ( $\beta = 0.15$ ; t-value = 1.58 and respectively  $\beta = 0.07$ ; t-value = 1.57 which, when utilizing one tailed tests, mean  $p \approx 0.10$ ).

The relationship between 'Employee performance: quality/efficiency' and 'Organizational performance: quality' is significant in Model 39a. This provides support for hypothesis 12b.

Model 39b provides *no support for hypothesis 12a* concerning a relationship between employee performance in terms of quality/efficiency and organizational profitability.

Models 40a and 40b (appendix 6b and 6c) which include our employee innovativity variable instead of the measure related to the quality/efficiency of employee performance *offer support for hypothesis 7b* concerning a relationship between psychological empowerment and such employee performance ( $\beta = 0.45$ ; t-value = 4.04 which, when utilizing a one tailed test, here would mean  $p \approx 0.001$ ). *Both 'Strategic fit' and 'HRM sophistication' exhibit significant indirect relationships with employee performance in terms of innovativity in line with our exploratively extended model* ( $\beta = 0.05$ ; t-value = 2.25 and respectively  $\beta = 0.18$ ; t-value = 3.71 which, when utilizing one tailed tests, here mean  $p \approx 0.05$  and 0.001 respectively). To the extent that we also allow for the direct relationship between 'Strategic fit' and 'Psychological empowerment' the indirect relationship between 'Strategic fit' and 'Employee performance: innovativity' is more strongly significant ( $\beta = 0.11$ ; t-value = 2.56 which, utilizing a one tailed test, here means  $p \approx 0.005$ ). However, there appears to be no significant relationship between employee performance in terms of innovativity and organizational performance in terms of quality (Model 40a). The relationship between the former and organizational profitability appears strongly negative when applying a one-tailed test of significance (Model 40b). Thus, these models *provide no support for hypotheses 12c nor 12d* concerning the relationship between employee performance in terms of innovativity and organizational performance nor do they thus explain a positive relationship between HRM and organizational performance.

*Neither do the models 39a, 39b, 40a or 40b provide support for hypotheses 12e or 12f* concerning the relationships between employee performance and employee retention. Further, the above models provide *no support for hypotheses 9a-9d* concerning the relationships between affective value commitment/affective continuance commitment and employee work performance.

Further, in line with Model 5 there is *no support for hypotheses 4c or 5c* in terms of direct relationships between the HRM variables and 'Employee retention'. Models 39a-b and 40a-b indicate that at least excluding all the controls exogenous to the postulated model, affective value commitment in comparison to affective continuance commitment does an acceptable job in terms of predicting employee turnover. This offers some tentative *support for hypotheses 9e but none for 9f*. This is in line with earlier reviewed research (Mayer and Shoorman, 1992, p. 681; Iverson and Buttigieg, 1999, p. 325).

Models 39a-b and 40a-b also provide some evidence of an indirect relationship between 'HRM sophistication' and 'Employee retention' as mediated by the whole mediational framework in terms of the support related variables, 'Psychological

empowerment' and 'Affective commitment'. This evidence is strongest in Model 40b ( $t = 2.28$  for the indirect relationship which, utilizing a one tailed test, here means  $p \approx 0.05$ ) and weakest in Model 39b ( $t = 1.57$  which, utilizing a one tailed test, here means  $p \approx 0.10$ ). There is no evidence for an indirect relationship between 'Strategic fit' and 'Employee retention'<sup>458</sup>.

Further, in general the fit statistics with reference to all of these models are not quite satisfactory in terms of the GFI and the Critical N while the RMSEA and CFI (and with the exception of Model 39b) the  $p$ -value for the  $\chi^2$  indicate acceptable fit. However, as reported we had again to free a fair amount of error correlations in order to gain reasonably acceptable fit statistics for the models. In general these analyses thus convey the questionable nature of the fit of the models including the discriminant validities of the constructs. We should thus remain very cautious in our interpretations of it.

Because of the above fit statistics we also conducted 16 additional analyses where, in comparison to models 39a and 39b as well as 40a and 40b, we include 'Psychological empowerment', 'Affective commitment', 'Continuance commitment' and 'Organizational citizenship behavior' each in turn rather than including several of these constructs in the same model. These models exhibit more acceptable fit statistics and tell the following story: *Essentially these 16 models support the fact that HRM may be significantly indirectly and positively related to organizational performance only as mediated by employee performance and psychological empowerment. However, these analyses indicate that this indirect relationship is insignificant both with reference to 'Organizational performance: quality' ( $\beta = 0.01$ ;  $t$ -value = 1.19) as well as 'Organizational performance: profitability' ( $\beta = 0.01$ ;  $t$ -value = 0.67). Thus also the corresponding indirect relationships between 'Strategic fit' and organizational performance as mediated by 'HRM sophistication' are insignificant.* These models further indicate that psychological empowerment, affective value commitment, affective continuance commitment and organizational citizenship behavior taken separately and without the other control variables all appear to be significantly correlated with employee retention. *Finally, these models also indicate that there is a significant (one-tailed test) indirect relationships between HRM sophistication (but not strategic fit) and employee retention as mediated by the "social architecture" and each of the focal attitudinal variables when the latter are included in the models separately and without the other control variables.*

In summary, even excluding all the exogenous controls, all the above structural equation models at the most provide only some (fairly weakly) significant (and also otherwise statistically somewhat questionable<sup>459</sup>) support (in terms of Model 39a) for

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<sup>458</sup> These results are partly dependent on the insignificant negative indirect relationship that both 'HRM sophistication' and 'Strategic fit' has with 'Employee retention' as mediated by the organizational performance variables. We will later argue that, based on this data, there is little reason to claim that employee retention should influence organizational performance. Our results and interpretations will rather support a causal direction as depicted in Model 39a-b and 40a-b.

<sup>459</sup> The fact that most of the structural equation models include a fair amount of free error correlations should make us cautious concerning the adequacy of the constructs/models (Eriksson, 1998, p. 34).

an explained relationship between HRM sophistication (but not strategic fit) and organizational performance in terms of quality but not profitability. These analyses are more promising with reference to an explained relationship between HRM sophistication and employee retention.

However, there is still the possibility that more significant indirect explanatory relationships between HRM sophistication and organizational performance in terms of quality and profitability may be discernible when we include our controls. It is also interesting to see what happens when we, in addition to the exogenous controls, also include all our intermediate attitudinal constructs in the same regression equations and thus use also these as controls for one another. These questions will be pursued below through ordinary least squares regression models applying the fit statistics ordinarily used in connection to such analyses.

**Regression analyses.** When interpreting the following regression analyses we again have to remember that we are dealing with marginal or residual relationships. As noted in section 9.3.4, it is however the partial (residual) correlations which can be brought forward as the most justified cross-sectional empirical evidence of possible distinct causal relations. Even to the extent that there are multicollinearity problems involved and to the extent that there is no theoretical reason to remove variables the analyses at least provide us with evidence about what is possible to claim on the bases of a general non-tailor-made sample. Would there be multicollinearity related problems we may be in a position where we simply cannot provide convincing evidence. Again, however, there seem to be few relationships which are due to problems of multicollinearity. In fact, based upon the VIF values no such problems appear to exist. In the backward selected models also the Condition indexes (CI) appear tolerable and the backward selections do not appear to essentially change any of the focal relationships in way which would make us suspect problems in terms of multicollinearity.

Table 34.

Variables	Model 41			Model 41b			Model 42			Model 42b			Model 43			Model 45								
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF						
Constant	1.60**	.992	-	1.71***	.741	-	3.92**	2.234	-	4.75***	1.754	-	.51	2.756	-	3.92**	1.776	-						
Number of earlier employers	.089	.085	2.5	∅	∅	∅	-.156	.192	2.5	-.225***	.139	1.4	.091	.236	2.5	∅	∅	∅						
Employee age	-.008	.069	2.7	∅	∅	∅	-.061	.156	2.7	∅	∅	∅	-.141	.193	2.7	∅	∅	∅						
Employee tenure	-.016	.070	1.7	∅	∅	∅	.011	.157	1.7	∅	∅	∅	.076	.194	1.7	∅	∅	∅						
Prob. of partnership status	.084	.034	1.7	.134**	.032	1.6	-.002	.077	1.7	∅	∅	∅	.125	.095	1.7	.162**	.080	1.3						
Perceived job opportunities	.002	.064	1.8	∅	∅	∅	-.136*	.144	1.8	-.136*	.118	1.3	.151*	.178	1.8	.163**	.140	1.2						
Recent job offers	.103*	.028	1.4	.092*	.024	1.1	.022	.063	1.4	∅	∅	∅	-.191**	.078	1.4	-.172**	.071	1.3						
Workload	.091	.077	2.1	∅	∅	∅	-.239**	.173	2.1	-.232***	.149	1.7	-.149*	.213	2.1	-.143*	.169	1.4						
Too big demands	-.123*	.050	1.6	-.092*	.042	1.3	.128*	.113	1.6	.115	.104	1.5	.219**	.139	1.6	.142*	.125	1.4						
Rec. rad. improvem in HRM	-.142**	.074	1.8	-.140**	.067	1.6	-.184**	.168	1.8	-.145*	.146	1.5	-.066	.207	1.8	∅	∅	∅						
Hierarchy	-.084	.040	1.4	∅	∅	∅	-.120*	.091	1.4	-.134*	.083	1.2	-.014	.112	1.4	∅	∅	∅						
Prospects of organiz. perf.	.000	.079	1.9	∅	∅	∅	.166*	.178	1.9	.184**	.157	1.6	.122	.220	1.9	.196**	.176	1.3						
Organizational image	.260***	.055	1.5	.232***	.051	1.4	.108	.125	1.5	∅	∅	∅	.132*	.154	1.5	.165**	.137	1.3						
Strategy	.150**	.043	1.4	.161***	.039	1.3	.054	.097	1.4	∅	∅	∅	.078	.120	1.4	∅	∅	∅						
Competition	.337***	.046	1.2	.330***	.042	1.2	-.113*	.103	1.2	-.102	.096	1.2	-.038	.127	1.2	∅	∅	∅						
Organization size	-.022	.075	1.6	∅	∅	∅	.121	.170	1.6	.146**	.149	1.4	-.237***	.210	1.6	-.227***	.177	1.2						
Interactional justice	-.173*	.095	3.0	-.194**	.083	2.6	-.085	.214	3.0	∅	∅	∅	-.238**	.265	3.0	-.243****	.189	1.7						
Procedural justice	.068	.074	2.0	∅	∅	∅	.125	.166	2.0	∅	∅	∅	.179*	.205	2.0	.191**	.176	1.6						
Distributive justice	.065	.076	1.6	∅	∅	∅	-.002	.172	1.6	∅	∅	∅	.073	.213	1.6	∅	∅	∅						
Strategic fit	.113*	.076	1.5	.133**	.068	1.3	.153*	.172	1.5	.152**	.152	1.3	.118	.213	1.5	∅	∅	∅						
HRM sophistication	.283***	.122	2.9	.261***	.104	2.4	.300***	.274	2.9	.277***	.222	2.1	-.099	.338	2.9	∅	∅	∅						
Organization support	-.170*	.129	3.4	-.157*	.108	2.5	.102	.291	3.4	∅	∅	∅	.080	.359	3.4	∅	∅	∅						
Coworker support	-.030	.089	2.1	∅	∅	∅	-.177*	.201	2.1	-.175**	.177	1.8	.010	.247	2.1	∅	∅	∅						
Leader support	.198**	.088	2.9	.272***	.078	2.6	-.137	.197	2.9	∅	∅	∅	-.113	.243	2.9	∅	∅	∅						
Psych. Empowerment	-.244**	.149	4.2	-.207**	.129	3.3	-.070	.336	4.2	∅	∅	∅	.083	.414	4.2	∅	∅	∅						
Aff. value commitment	.315***	.138	3.1	.306***	.130	3.0	.242**	.310	3.1	.218**	.241	2.1	-.022	.382	3.1	∅	∅	∅						
Aff. Continuance com.	-.107	.059	1.9	-.123*	.052	1.6	-.180**	.133	1.9	-.178**	.112	1.5	.129	.164	1.9	∅	∅	∅						
Organizat. Citizenship beh.	-.292***	.130	3.2	-.248***	.112	2.6	-.143	.293	3.2	-.142	.248	2.5	.087	.362	3.2	∅	∅	∅						
Empl. perf: quality/efficacy	.222***	.080	1.7	.179***	.070	1.5	.172**	.180	1.7	.112*	.143	1.2	.063	.222	1.7	∅	∅	∅						
Empl. perf: innovativity	.099	.057	1.8	.140**	.049	1.5	-.052	.127	1.8	∅	∅	∅	-.183**	.157	1.8	∅	∅	∅						
Organizat. perf: quality	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	∅	-.121*	.189	1.2						
DEPENDENT VARIABLE	Organizat. perf: quality			Organizat. perf: quality			Organizat. perf: profitability			Organizat. perf: profitability			Employee retention			Employee retention								
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	4,3	0,54	0,41	101	7,7	0,53	0,46	70	1,7	0,32	0,13	101	3,0	0,28	0,19	61	1,3	0,27	0,07	100	3,1	0,21	0,14	41

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

**Employee performance and organizational performance.** In line with structural equation Model 39a *employee performance in terms of quality/efficiency* appears to be strongly significantly related to *organizational performance in terms of quality* (Model 41 in Table 34). In contrast to structural equation Model 39b such employee performance appears to be significantly or weakly significantly related also to *organizational profitability* when all the controls are included and applying a one-tailed test of significance (Model 42 and Model 42b). *This offers further support for hypotheses 12b and support for hypothesis 12a.* Further, in line with structural equation Model 40a, when all the controls are included **employee performance in terms of internal innovativity** is not even weakly significantly related to *organizational performance in terms of quality* even when applying a one-tailed test of significance (Model 41). Such employee performance is clearly insignificantly related to *profitability* (Model 42). The latter result is in contrast to Model 40b where the relationship was strongly significant and negative when applying a one-tailed test of significance. *These results offer no support for either hypothesis 12d or 12c.*

**Employee retention.** In distinction to the structural equation Models 39a-b and 40a-b (as well as the simplified versions of these models), when all the controls are included *affective continuance commitment* seems to be more correlated with employee retention than *affective value commitment* but is nevertheless not significant (Model 43). Thus, including all the controls except the organizational performance variables our analysis is *not* strictly congruent with the "key evidence" that, in comparison to affective value commitment, (affective) continuance commitment has a "significantly stronger relationship with quitting" (Mayer and Schoorman, 1992, p. 681)<sup>460</sup>. In particular, when we add the controls in terms of organizational performance not even affective continuance commitment is even close to significantly predicting employee retention (Model 44; not shown in this thesis). *Thus neither hypothesis 9e (affective value commitment) nor 9f (affective continuance commitment) are supported*<sup>461</sup>. *Neither is hypothesis 11e postulating a relationship between organizational citizenship behavior and employee retention supported by Model 43 or Model 44.*

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<sup>460</sup> The somewhat different constructs referred to in this citation and the current study should be born in mind.

<sup>461</sup> It can be noted that the bivariate correlation between the full BOCS scale (more closely corresponding to the OCQ) and employee retention in our study is 0.18 ( $p < .05$ ). Huselid and Day also explicitly used a notion of voluntary employee turnover and the bivariate correlation between attitudinal or affective commitment in terms of the OCQ and their measure of employee turnover was -0.24 (1991, p. 386), and thus more or less in line with the one exhibited in our sample. In addition, it can be noted that with the controls included in Huselid and Day they found, in line with our analyses, no significant relationship between either attitudinal (or calculative continuance commitment) and employee turnover. Allen and Meyer (1996, p. 266) report prior evidence of bivariate correlations of -0.19 and -0.26 between employee turnover (not identified as voluntary or involuntary or both). As noted earlier, much evidence as reported by Meyer and Allen (1996, p. 262) suggests that the ACS and the OCQ are closely correlated. Further, the bivariate correlations between our scale of affective value commitment and employee retention is 0.13 (Sig. = 0.1), and between affective continuance commitment and employee retention 0.16 (Sig. = 0.05). Taken at face value this data is thus in line with earlier evidence that continuance commitment (albeit in terms of a scale which judged by the items is more explicitly ambiguous between affective and calculative continuance commitment than our scale) appears to be more strongly related to (actual) quitting (Mayer and Shoorman, 1992, p. 679) than affective value commitment.

Finally, also hypotheses 12e and 12f postulating positive relationships between employee performance and employee retention have to be rejected based upon this evidence. Similarly, also hypotheses 4c (strategic fit) and 5c (HRM sophistication) have to be rejected. In fact if anything, Models 43 and 44 indicate that employee performance in terms of internal innovativity appears to be negatively rather than positively related to employee retention (and thus positively related to voluntary employee turnover).

The general inability of Models 43 (and 44) to explain/predict employee retention is reflected in the fact that they are not overall adequately significant. We then applied backward selection upon Model 44 until all variables had Sig.  $\leq 0.01$  (one-tailed test) which resulted in Model 45. In distinction to Models 43 and 44, the backward selected Model 45 exhibits satisfactory overall significance. None of the support related variables or any of the four "original" focal intermediate attitudinal variables are significant even when included on their own in turn and do not thus contribute to any improvement of the fit of Model 45. In fact, this is the case even if we exclude also the justice related variables. Thus, it seems to be the case that given the control variables in Model 45, neither strategic fit nor HRM sophistication, nor organization support, nor leader support, nor coworker support, nor psychological empowerment, nor affective value commitment, nor affective continuance commitment nor organizational citizenship behavior is able to explain employee retention<sup>462</sup>.

In summary, these results are interestingly in opposition to much earlier theorizing and interpretations of the adequacy/relevance of earlier empirical evidence in terms of significant relationships between different forms of commitment and employee turnover.

**HRM and organizational performance.** In line with structural equation Models 39a and 40a as well as Model 3 'HRM sophistication' is directly significantly and positively related to the '*Organizational performance: quality*' (Model 41), thus offering further support for hypothesis 5b. Model 42 indicates that, including all controls, there is a strongly significant direct relationship also between '*profitability*' and 'HRM sophistication', thus offering support also for hypothesis 5a. The latter result is in some contrast to structural equation Models 39b and 40b but in congruence with Model 4.

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<sup>462</sup> It may be noted that there are interesting differences in the relationships between on the one hand perceived job opportunities and employee retention, and on the other hand recent job offers and employee retention as well as on the one hand workload and employee retention and, on the other hand too big demands and employee retention. These are arguably not due to problems of multicollinearity. Further, although the above relationships are not impossible to understand, (arguably not even implausible somewhat depending on how we interpret the variables), the relationship between interactional justice and employee retention seems very difficult indeed to understand, and may well be a peculiarity of the present data. The negative relationship between 'Interactional justice' and 'Employee retention' is independent of whether we include e.g. 'Procedural justice' or not. It is also clearly distinct from the insignificant relationship between leader support and employee retention. The only interpretation we can give of this relationship is that interactional justice is not a causally influential variable here. This relationship is particularly difficult to understand as interactional justice is also negatively related to organizational performance in terms of quality which in turn is also negatively related to employee retention.



Models 41 and 42 further indicate that there is only a weakly significant direct relationship between '**strategic fit**' and both '*Organizational performance: quality*' and '*profitability*', thus offering only a *weak support for hypothesis 4b and 4a*. This is in some contrast to structural equation Models 39a-b and 40a-b as well as Models 3 and 4<sup>463</sup>.

It might be argued that organizational performance in terms of quality may lead to organizational profitability and/or vice versa and that we should thus control for these possibilities in the above models. However, there is no clearly significant relationship between these variables when entered into Models 41 or 42 respectively.

**HRM and employee performance.** Models 46-49 (Table 35 and Table 36)<sup>464</sup> support the fact that neither '*HRM sophistication*' nor '*Strategic fit*' appear to be directly related to either of the employee performance variables (even) when we include all the exogenous controls. The only significant relationships between these variables is the barely weakly significant relationship between '*Strategic fit*' and '*Employee performance: innovativity*' ( $p = 0.208$ ; two-tailed test) in Model 48b where the organizational performance variables are not controlled for.

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<sup>463</sup> The fact that a component of '*Strategic fit*' arguably is included in '*HRM sophistication*' (Model 2) still leaves room for the possibility that there may be more strongly significant direct relationships between strategic fit and the two aspects of organizational performance. However, as noted the component of '*Strategic fit*' in '*HRM sophistication*' appeared to be fairly weak when including all the controls.

<sup>464</sup> Model 46b and 48b are the results of applying backward selection to Models 46 and 48 respectively. Models 47b and 49b are the results of including the organizational performance variables in Models 46b and 47b and then applying backward selection.

Table 35.

Variables	Model 46			Model 46b			Model 47			Model 47b						
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF				
Constant	4.18***	1.192	-	3.83***	.845	-	2.52**	1.223	-	2.67***	.898	-				
Number of earlier employers	-.152	.111	2.4	-.132*	.080	1.4	-.138	.106	2.4	-.138*	.078	1.4				
Employee age	.001	.092	2.7	∅	∅	∅	.011	.087	2.7	∅	∅	∅				
Employee tenure	.153*	.090	1.6	.149**	.070	1.1	.142*	.086	1.6	.150**	.068	1.1				
Prob. of partnership status	.149*	.045	1.7	.174**	.039	1.4	.100	.043	1.7	.127*	.038	1.4				
Perceived job opportunities	.119	.084	1.7	.119*	.069	1.3	.129	.080	1.7	.123*	.067	1.3				
Recent job offers	-.022	.037	1.3	∅	∅	∅	-.044	.035	1.3	∅	∅	∅				
Workload	-.002	.100	2.0	∅	∅	∅	.017	.096	2.0	∅	∅	∅				
Too big demands	.069	.066	1.6	∅	∅	∅	.077	.064	1.6	∅	∅	∅				
Rec. rad. improvem in HRM	-.065	.097	1.7	∅	∅	∅	.026	.095	1.8	∅	∅	∅				
Hierarchy	-.134*	.052	1.3	-.133**	.046	1.1	-.065	.051	1.4	-.096	.045	1.1				
Prospects of organiz. perf.	-.079	.101	1.7	-.118*	.084	1.3	-.069	.098	1.8	-.135*	.082	1.3				
Organizational image	-.095	.072	1.5	∅	∅	∅	-.187**	.071	1.6	∅	∅	∅				
Strategy	-.067*	.056	1.4	∅	∅	∅	-.110	.054	1.4	∅	∅	∅				
Organization size	.094	.099	1.6	.141**	.082	1.2	.068	.095	1.6	.090	.082	1.3				
Interactional justice	.058	.125	2.9	∅	∅	∅	.129	.121	3.0	∅	∅	∅				
Procedural justice	-.099	.097	1.9	∅	∅	∅	-.126	.093	2.0	∅	∅	∅				
Distributive justice	-.102	.100	1.6	∅	∅	∅	-.107	.096	1.6	∅	∅	∅				
Strategic fit	.073	.101	1.5	∅	∅	∅	.008	.098	1.6	∅	∅	∅				
HRM sophistication	.088	.158	2.8	∅	∅	∅	-.074	.160	3.1	∅	∅	∅				
Organization support	.185	.169	3.3	.196**	.116	1.7	.193*	.162	3.3	.200**	.113	1.7				
Coworker support	.031	.116	2.1	∅	∅	∅	.068	.112	2.1	∅	∅	∅				
Leader support	.026	.115	2.9	∅	∅	∅	-.017	.111	3.0	∅	∅	∅				
Psych. empowerment	.246*	.193	4.0	.252**	.145	2.5	.301**	.184	4.0	.295***	.142	2.5				
Aff. value commitment	-.172	.178	3.0	-.221**	.152	2.4	-.295**	.175	3.2	-.291***	.151	2.5				
Aff. continuance com.	.069	.077	1.9	∅	∅	∅	.119	.075	1.9	∅	∅	∅				
Organizat. citizenship beh.	-.102	.166	3.0	∅	∅	∅	.011	.162	3.1	∅	∅	∅				
Organizat. perf: quality	∅	∅	∅	∅	∅	∅	.323***	.105	1.6	.227***	.088	1.2				
Organizat. perf: profitability	∅	∅	∅	∅	∅	∅	.119*	.053	1.4	.081	.048	1.2				
DEPENDENT VARIABLE	Empl. perf: quality/efficacy			Empl. perf: quality/efficacy			Empl. perf: quality/efficacy			Empl. perf: quality/efficacy						
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI*	1,5	0,26	0,09	90	3,7	0,22	0,16	47	2,0	0,34	0,17	95	4,1	0,28	0,21	51

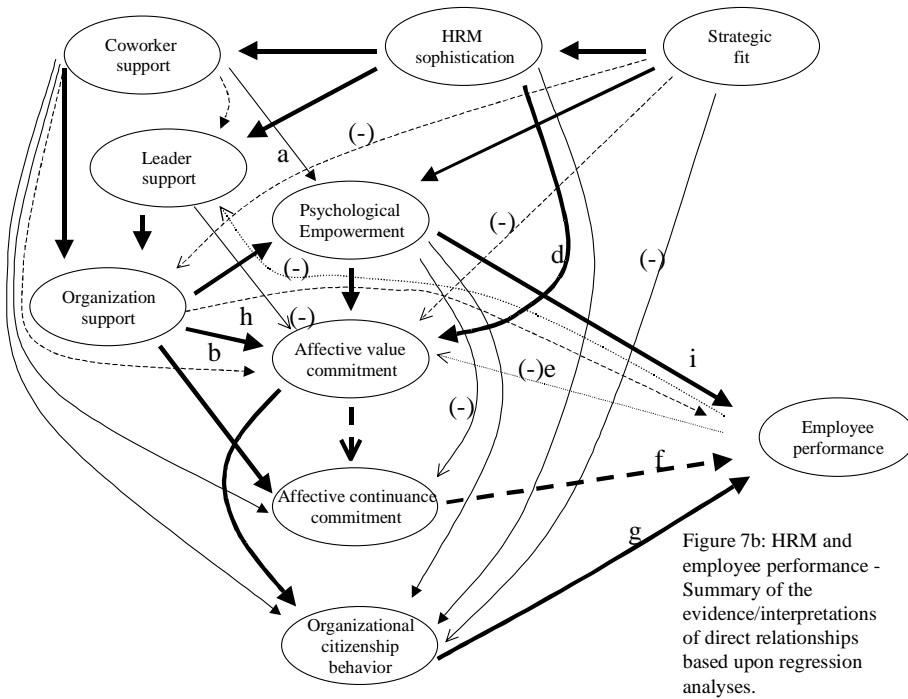
One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

Table 36.

Variables	Model 48			Model 48b			Model 49			Model 49b						
	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF	β	s.e.	VIF				
Constant	2.18 <sup>*</sup>	1.689	-	1.56 <sup>*</sup>	1.184	-	.58	1.777	-	.47	1.256	-				
Number of earlier employers	.057	.157	2.4	∅	∅	∅	.050	.155	2.4	∅	∅	∅				
Employee age	-.009	.130	2.7	∅	∅	∅	-.007	.127	2.7	∅	∅	∅				
Employee tenure	-.068	.128	1.6	∅	∅	∅	-.073	.125	1.6	∅	∅	∅				
Prob. of partnership status	.115	.063	1.7	.137 <sup>*</sup>	.057	1.5	.076	.062	1.7	.085	.057	1.6				
Perceived job opportunities	-.072	.118	1.7	∅	∅	∅	-.076	.116	1.7	∅	∅	∅				
Recent job offers	-.062	.052	1.3	∅	∅	∅	-.077	.051	1.3	∅	∅	∅				
Workload	.082	.141	2.0	.118 <sup>*</sup>	.116	1.5	.074	.140	2.0	.134 <sup>*</sup>	.116	1.5				
Too big demands	.048	.093	1.6	∅	∅	∅	.069	.092	1.6	∅	∅	∅				
Rec. rad. improvem in HRM	.037	.137	1.7	∅	∅	∅	.093	.138	1.8	∅	∅	∅				
Hierarchy	-.041	.074	1.3	∅	∅	∅	.002	.074	1.4	∅	∅	∅				
Prospects of organiz. perf.	-.288 <sup>***</sup>	.143	1.7	-.328 <sup>***</sup>	.125	1.5	-.259 <sup>***</sup>	.142	1.8	-.326 <sup>***</sup>	.124	1.5				
Organizational image	-.132 <sup>*</sup>	.102	1.5	-.121 <sup>*</sup>	.094	1.4	-.198 <sup>**</sup>	.103	1.6	-.168 <sup>**</sup>	.095	1.4				
Strategy	.096	.080	1.4	.112 <sup>*</sup>	.069	1.2	.066	.078	1.4	.083	.068	1.2				
Organization size	.150	.140	1.6	.147 <sup>**</sup>	.119	1.2	.142 <sup>*</sup>	.137	1.6	.132 <sup>*</sup>	.118	1.3				
Interactional justice	-.010 <sup>*</sup>	.178	2.9	∅	∅	∅	.042	.176	3.0	∅	∅	∅				
Procedural justice	.047	.137	1.9	∅	∅	∅	.036	.135	2.0	∅	∅	∅				
Distributive justice	-.110	.142	1.6	∅	∅	∅	-.115	.139	1.6	∅	∅	∅				
Strategic fit	.068	.143	1.5	.109 <sup>*</sup>	.126	1.3	.032	.142	1.6	.068	.127	1.4				
HRM sophistication	.097	.224	2.8	∅	∅	∅	-.006	.232	3.1	∅	∅	∅				
Organization support	.133	.239	3.3	∅	∅	∅	.152 <sup>*</sup>	.235	3.3	∅	∅	∅				
Coworker support	-.145	.165	2.1	-.134 <sup>*</sup>	.138	1.6	-.131	.163	2.1	-.124 <sup>*</sup>	.136	1.6				
Leader support	-.162	.162	2.9	∅	∅	∅	-.210	.161	3.0	∅	∅	∅				
Psych. empowerment	.354 <sup>***</sup>	.273	4.0	.335 <sup>***</sup>	.224	2.9	.395 <sup>***</sup>	.268	4.0	.358 <sup>***</sup>	.222	2.9				
Aff. value commitment	-.221 <sup>*</sup>	.253	3.0	-.215 <sup>**</sup>	.225	2.6	-.300 <sup>**</sup>	.255	3.2	-.280 <sup>***</sup>	.229	2.7				
Aff. continuance com.	.142 <sup>*</sup>	.110	1.9	.155 <sup>**</sup>	.096	1.5	.165 <sup>*</sup>	.109	1.9	.176 <sup>**</sup>	.096	1.6				
Organizat. citizenship beh.	.296 <sup>**</sup>	.235	3.0	.293 <sup>***</sup>	.212	2.6	.370 <sup>***</sup>	.236	3.1	.328 <sup>***</sup>	.211	2.7				
Organizat. perf: quality	∅	∅	∅	∅	∅	∅	.266 <sup>***</sup>	.152	1.6	.206 <sup>***</sup>	.134	1.4				
Organizat. perf: profitability	∅	∅	∅	∅	∅	∅	-.011	.077	1.4	.012	.069	1.2				
DEPENDENT VARIABLE	Empl. perf: innovativity			Empl. Perf: innovativity			Empl. Perf: innovativity			Empl. perf: innovativity						
F for R <sup>2</sup> / R <sup>2</sup> / Adj. R <sup>2</sup> / CI <sup>+</sup>	1,8	0,30	013	90	3,9	0,27	0,20	54	2,0	0,34	0,17	95	3,9	0,30	0,23	59

One-tailed sig. test: \*p<.10 / \*\*p<.05 / \*\*\*p<.01 /  $\beta$  = stand. coeff. / \*CI = Condition Index / Ø = Variable not included in model

The combined evidence of Models 2-49b of the ways HRM may be related to employee work performance is presented in Figure 7b. The interpretations which indicate the reverse direction of the relationship between affective value commitment and employee performance are presented below<sup>465</sup>.



<sup>465</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The *dotted lines* denote reverse relationships. The sign '(-)' denotes negative relationships. Further:

- (a) In Model 35 only weakly significant;
- (b) In Model 16 only weakly significant;
- (c) The relation between affective value and continuance commitment is insignificant in Model 37b.
- (d) Strongly significant only in the backward selected Model 36b
- (e) With reference to 'Employee performance: quality/efficiency' insignificant in Model 46. With reference to 'Employee performance: innovativity' only weakly significant in Model 48.
- (f) With reference to 'Employee performance: quality/efficiency' not significant at all (Models 46-47b). With reference to 'Employee performance: innovativity' strongly significant in the backward selected Models 48b and 49b'.
- (g) With reference to 'Employee performance: quality/efficiency' not significant at all (Models 46-47b).
- (h) Essentially significant only with reference to 'Employee performance: quality/efficiency' (Models 46-47b) but not with reference to 'Employee performance: innovativity' (Models 48-49b).
- (i) Only weakly significant in Model 46.

**Psychological empowerment, employee and organizational performance.** Model 46 also indicates, in line with structural equation Models 39a-b, that there is only a weakly significant positive relationship between *employee performance in terms of quality/efficiency* and psychological empowerment thus offering *no strong support for hypothesis 7a*. However, Model 46b *offers strong support for hypothesis 7a*.

The correlations between employee performance and at least psychological empowerment, affective value commitment and affective continuance commitment appear to increase in Model 47 compared to Model 46. Thus, these models together may be taken to indicate that there may be different attributional/substantial reverse causations from organizational performance (or something that this stands proxy for) to employees' psychological empowerment, organizational commitment, organizational citizenship behavior and continuance commitment as well as (peer evaluations of) employee work performance. Models 46 and 47 may thus be interpreted to indicate that when such influences are controlled for, more adequate relationships between the attitudes and employee work performance become discernible. Below we will suggest different reasons for the adequacy of the organizational performance controls somewhat depending upon which of the attitudinal constructs we are talking about. Essentially we will argue for reverse causal relationships between the focal theoretical attitudes and organizational performance<sup>466</sup>.

Models 47 and 47b provide *strong support for hypothesis 7a* concerning a positive relationship between psychological empowerment and *employee performance in terms of quality/efficiency*. This result thus differs from the one obtained in structural equation Models 39a-b.

Model 48 (Table 36) shows evidence of a strong direct relationship between psychological empowerment and *employee work performance in terms of internal innovativity*. This is in line with structural equation Models 40a-b providing further

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<sup>466</sup> One reason for the relevance of the organizational performance variables as controls could a priori be that the evaluations of employee performance might tend to be more critical in well performing organizations. However, at least perceptions of employee performance and organizational performance tend to correlate positively rather than negatively (Models 41, 41b, 42 and 42b). A better reason for the relevance of the controls may be the fact that evaluations may tend to be cognitively biased upwards in organizations showing better performance (compare March and Sutton, 1997, pp. 701-702). However, neither of the above phenomena would arguably make sense *both* of the change in significance (in Model 47 versus 46 and analogously in Models 47b versus 46b) of the positive relationship between psychological empowerment and employee performance *as well as* the negative relationship between the latter and affective commitment (see below). Therefore we will essentially leave attempts to speculate about the validity of the measures of employee performance to these remarks. We might nevertheless add that as noted by Settoon et al., "[t]he same factors influencing the quality of the leader-member exchange relationship may also affect leader evaluations of subordinate behavior...It has been found that leaders are more likely to attribute ineffective performance to internal causes for low leader-member exchange subordinates relative to high leader-member exchange subordinates. Similarly, leaders tend to make internal attributions for effective performance of high, but not low, leader-member exchange subordinates" (1996, p. 225). A number of analogous biases are evidently also possible, e.g. leading to over estimations of any alledged influence of leader support, interactional justice, organization support and/or organizational citizenship behavior on employee work performance. However, with reference to the focal intermediate variables we have at least some controls for such possibilities due to the number and nature of our control variables.

*strong support for hypothesis 7b.* Also this relationship gets even stronger when we control for organizational performance (Model 49). This relationship is also confirmed in the backward selected Models 48b and 49b.

Including all controls, there is also evidence for a negative relationship between psychological empowerment and *organizational performance in terms of quality* but not *profitability* (Models 41 and 42). These findings are also confirmed in the backward selected Models 41b and 42b.

These results together seem at least to allow for the interpretation that psychological empowerment tends to positively influence employee performance but that organizations showing better performance in terms of quality, although also exhibiting better employee performance in particular in terms of quality/efficiency (Models 41) but arguably also in terms of innovativity (Model 41b), appear to allow less rather than more room for psychological empowerment for some reason not detectable in our data<sup>467</sup>.

Thus, this interpretation argues for a positive causal influence of psychological empowerment on employee performance and a reverse and negative (exogenous, heterogenous) causation from organizational performance in terms of quality, or from something which such organizational performance stands proxy for. Unless controlled for, the influence of such (a) heterogenous phenomena (phenomenon) thus arguably somewhat bias(es) a positive relationship between psychological empowerment and employee performance in terms of quality/efficiency. This is still quite compatible with a potentially significant positive indirect influence of psychological empowerment (through employee performance) on organizational performance.

The results of Models 46-49b are at least compatible with prior evidence for performance effects of psychological empowerment (Spreitzer, 1995, p. 1460; Torbiorn, 1997b, pp. 11-13). However, the analyses also provide interesting counter-evidence to theorizing/assumptions in terms of the importance of psychological empowerment for organizational performance or "successful firms" (Thomas and Velthouse, 1990, p. 667), implicit expectations about the impact of psychological empowerment on "organizational effectiveness" (Spreitzer, 1995, p. 1462), and/or the

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<sup>467</sup> A reason for this is not easy to conceive of since based on Model 41 organizations showing better performance in terms of quality also tend to be less rather than more hierarchical (in terms of benefits and compensation) and less rather than more severe in their demands on employees (Models 41 and 41b). Both of these phenomena would seem to be compatible with psychological empowerment. The residual negative relationship between psychological empowerment and organizational performance also seem to be somewhat incoherent with what we would expect if we were to argue that organizational performance may (psychologically) influence psychological empowerment in line with the kind of cognitive biases discussed by e.g. March and Sutton (1997, pp. 701-702). However, a possible (and interesting) explanation for the fact that employees in such organizations tend to exhibit significantly less of both psychological empowerment *and* organizational citizenship behavior *and* affective continuance commitment could be more rigorously controlled work-routines in such organizations. But how do we then explain the positive relationship between organizational performance and affective value commitment? This could be due to a strong tendency of well performing organizations to generate affective value commitment (quite) independent of employees' psychological empowerment, affective continuance commitment and organizational citizenship behavior.

assumptions of the importance of something like psychological empowerment (Wright and Snell, 198, pp. 765-766). Of course, our results only indicate that organizational practice in our sample does not comply with such assumptions/normative theorizing. The assumptions/theorizing may still be adequate since, after all, psychological empowerment is in the above interpretation significantly related to employee performance and appears potentially indirectly also positively related to organizational performance<sup>468</sup>.

The evidence as interpreted above with reference to the direct relationships between HRM, psychological empowerment and employee/organizational performance is exhibited in Figure 8<sup>469</sup>.

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<sup>468</sup> It is not clear how we should interpret these results since 'Psychological empowerment' in the additional simpler structural equations parallel to Models 39a-40b but excluding 'Affective commitment' and 'Continuance commitment' (the models are not shown in this thesis but discussed above) is not negatively related to 'Organizational performance: quality' but rather to 'Organizational performance: Profitability'.

<sup>469</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The *dotted lines* denote reverse relationships. The sign '(-)' denotes negative relationships. Further:

- (a) In Model 35 only weakly significant;
- (b) Only weakly significant in Model 46.
- (c) Essentially significant only with reference to 'Employee performance: quality/efficiency' (Models 46-47b) but not with reference to 'Employee performance: innovativity' (Models 48-49b).
- (d) With reference to 'Employee performance: innovativity' insignificant in Model 41.
- (e) With reference to 'Employee performance: quality/efficiency' only weakly significant in Model 42b. With reference to 'Employee performance: innovativity' not significant.

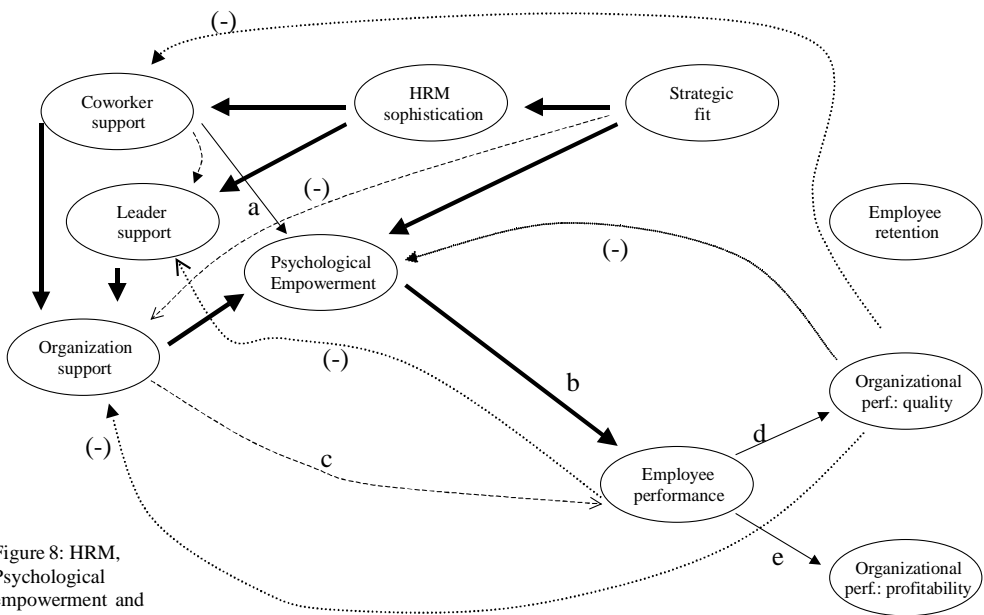


Figure 8: HRM, Psychological empowerment and performance.

**Affective commitment, employee and organizational performance.** Based upon Model 46 there is no significant positive relationship between affective value commitment and *employee performance in terms of quality/efficiency* and thus *no support for hypothesis 9a*. Neither does Model 47 provide support for this hypothesis. In fact, the relationship tends to be negative already in Model 46. In Model 47 as well as the backward selected Models 46b and 47b the negative correlation is strongly significant and negative.

Model 48 indicates a negative relationship also between affective value commitment and *employee performance in terms of internal innovativity* thus offering *no support for hypothesis 9b*. Also this relationship gets strongly significant when we control for organizational performance (Model 49). It is also strongly significant both in Model 48b and 49b.<sup>470</sup>

<sup>470</sup> It must be noted that the bivariate correlations between our notion of affective commitment and our employee performance variables deviate from (some) prior evidence of significant positive correlations between ACS and some (different) measures of employee performance as reported in Allen and Meyer (1996, pp. 268-269). Firstly, however, there is considerable variation in the correlations between different measures of employee performance also concerning the evidence which Allen and Meyer refer to. Secondly, at least the components of the ACS in Iverson and Buttigieg (1999, p. 319) are more comparable exclusively to the dimension of identification in our construct of affective commitment. The correlation between this dimension commitment and employee performance in terms of quality/efficiency is 0.20 ( $p = 0.13$ ). This is quite compatible with the findings of significant positive correlations in some of the research referred to by Allen and Meyer (1996, pp. 268-269). Thus, while the most adequate construct(s) of commitment may be debated, our data concerning these aspects seems to be quite compatible with earlier research.



These results may seem most compatible with an interpretation of the relationship between affective value commitment and employee performance as due to a reverse causation from employee performance. It would at least seem conceptually problematical to suggest that increased identification and involvement among employees lead to lower work performance.

There is also evidence for a strongly significant positive relationship between affective value commitment and *organizational performance in terms of quality* (Models 41 and 41b). The relationship between affective value commitment and *organizational profitability* also appears strongly significant in Model 42b but only weakly significant in Model 42. As already noted, there is evidence for a positive relationship between employee work performance in terms of quality/efficiency and organizational performance both in terms of quality (Model 41 and 41b) and profitability (Model 42 and 42b). In Model 41b also employee performance in terms of innovativity appears significantly related to organizational performance in terms of profitability. Since the relationship between employee performance and affective value commitment appears negative it seems likely that the positive correlation between affective commitment and organizational performance also reflects a reverse causation rather than the other way around.

It would seem to be conceptually more problematical, but not impossible, to argue that affective value commitment leads to lower employee performance but nevertheless to higher organizational performance. It would seem similarly more problematical, but not impossible, to argue that higher employee performance leads to better organizational performance and to lower affective value commitment but that higher affective value commitment nevertheless leads to better organizational performance. At least such possibilities appear inexplicable with reference to the current data.

Thus, this interpretation suggests that the relationships between affective value commitment and employee work performance/organizational performance both represent reverse causations. In this interpretation the negative influence of better employee performance on affective commitment seems to be partly offset by the positive influence of organizational performance due to the correlation between employee performance and organizational performance.

This interpretation goes interestingly against much of the theorizing in the literature on organizational commitment and at least some earlier empirical evidence<sup>471</sup>. While being in outright opposition to some earlier evidence when taken at face value, the above interpretation of the (residual) negative correlation between 'Affective

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<sup>471</sup> These results are e.g. in opposition to the results in Meyer et al (1989). Already the correlations are different. One has to bear in mind that both the performance variables and constructs of affective commitment are different as are the sampled contexts and types of respondents. In addition, it is not impossible that the "multidimensionality" of Meyer et al.'s employee performance variables may hide interesting differences even as the performance measures in their study appear more adequate than in the current thesis. Thus, the contexts and the constructs are different in these two studies. In addition, the evidence for the negative relationships between 'Affective commitment' and the two employee performance variables in the current study only becomes discernible with certain controls the equivalence of which we have not seen in any prior study.

commitment' and the two employee performance variables is only partly (in)compatible with the general line of empirical evidence of performance effects of organizational commitment which has been argued to indicate that "commitment has relatively little direct influence on performance in most instances" (Mathieu and Zajac, 1990, p. 184). The above results/interpretations are however more compatible with the argument that

"[a] cogent theory for why identification with and involvement in an organization should directly promote job performance has not been developed" (Becker et al., 1996, p. 466).

We might give a psychological interpretation of a negative (reverse) causation between affective value commitment and employee work performance. It may be the case that better performing employees tend to feel stronger and therefore develop less affective value commitment to any one organization (given all the controls in the equation). This would be compatible with the interpretation offered for the negative relationship between psychological empowerment and affective continuance commitment in connection to Model 21. At the same time employees conceivably like (to work for) better performing organizations and therefore also on average tend to develop more affective value commitment for such organizations<sup>472</sup>.

The evidence as interpreted above with reference to the role of affective value

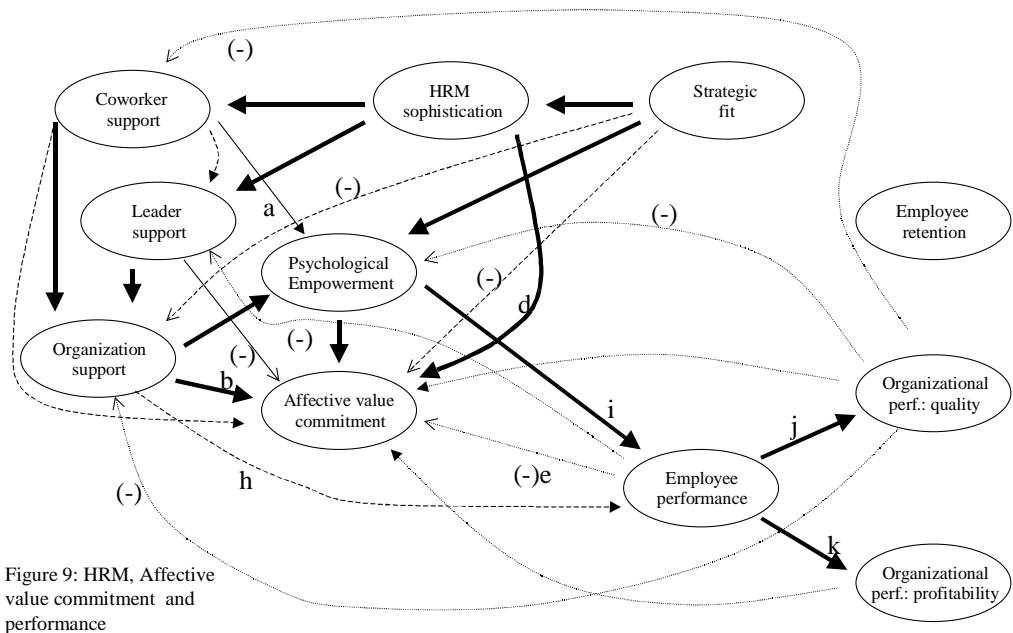


Figure 9: HRM, Affective value commitment and performance

<sup>472</sup> However, on this interpretation together with some further interpretations below, it may seem somewhat difficult to explain why psychological empowerment would positively influence affective value commitment (Models 16, 16b, 42 and 42b). We will discuss such problems of the coherence of the (interpretations of the) results in more detail below. In fact, below we will find some reason to change the above interpretation of the relationship between affective value commitment and employee performance.

commitment as a mediator of HRM's potential influence on employee and organizational performance is exhibited in Figure 9<sup>473</sup>.

**Organizational citizenship behavior, employee and organizational performance.**

The relationship between organizational citizenship behavior and *employee performance in terms of quality/efficiency* is in Models 46-47b not significant offering *no support for hypothesis 11b*. Thus, while Models 46-47b do not support a positive relationship, neither do they, in distinction to Models 27-30b and 38b, support the possibility discussed by Podsakoff et al. (1997, p. 263) that an employee's organizational citizenship behavior might negatively affect her/his work performance in terms of quality/efficiency. It appears that only when we control for employee work performance in terms of internal innovativity (Models 27-30b and 38b) can we discern such a possible residual negative influence of organizational citizenship behavior. This may however, in line with the arguments above concerning affective value commitment, also be due to a reverse causation. Thus, the analyses allow for the possibility that employees performing with better quality/efficiency, on the margin and independent of their innovative behavior, tend to develop less rather than more affective value commitment and (partly therefore) tend to engage less rather than more in organizational citizenship behavior<sup>474</sup>.

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<sup>473</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The *dotted lines* denote reverse relationships. The sign '(-)' denotes negative relationships. Further:

- (a) In Model 35 only weakly significant
- (b) In Model 16 only weakly significant;
- (d) Strongly significant only in the backward selected Model 36b
- (e) With reference to 'Employee performance: quality/efficiency' insignificant in Model 46. With reference to 'Employee performance: innovativity' only weakly significant in Model 48.
- (h) Essentially significant only with reference to 'Employee performance: quality/efficiency' (Models 46-47b) but not with reference to 'Employee performance: innovativity' (Models 48-49b).
- (i) Only weakly significant in Model 46.
- (j) With reference to 'Employee performance: innovativity' not significant at all in Model 41. while strongly significant in the backward selected Models 41b'.
- (k) With reference to 'Employee performance: innovativity' not significant at all (Models 42-42b).

<sup>474</sup> The following does not appear inconceivable: psychological empowerment (and competence) may positively influence both affective value commitment and organizational citizenship behavior (compare the argumentation in connection to Model 23 and the evidence in Models 28-30b and 38 and 38b). Better employee performance in terms of quality/efficiency may diminish organizational citizenship behavior indirectly because better performing individuals tend to develop less affective value commitment and/or, on the other hand organizational citizenship behavior may directly diminish employee performance in terms of quality/efficiency (Podsakoff et al., 1997, p. 263) and/or the effort and focus required for better employee performance in terms of quality/efficiency may directly diminish organizational citizenship behavior. However, since we will find reason below to change our interpretation of the relationship between affective commitment and employee performance, also the hypothetical explanation of a negative indirect influence of employee performance on organizational citizenship behavior, as mediated by affective value commitment, may be inadequate. Below we will argue for the possibility of a latent cause which positively influences both affective value commitment and organizational citizenship behavior and negatively influences employee performance in terms of quality/efficiency. As we shall admit, the problem with this last interpretation is that it may be

Models 48 and 48b provides evidence of a strong direct relationship between *employee performance in terms of internal innovativity* and organizational citizenship behavior (even when we do not control for employee performance in terms of quality/efficiency as in Models 27-30b, 38 and 38b). This result provides *further evidence for hypothesis 11a* but is best interpreted as a plausible non-causal correlation (see the arguments in section 7.2.4.3).

As is the case with psychological empowerment, affective commitment the fact that the relationship between employee performance in terms of internal innovativity and organizational citizenship behavior also somewhat increases when organizational performance is controlled for (Models 49 and 49b respectively), is superficially due to the fact that the relationships between organizational citizenship behavior and the individual/organizational performance variables appear to be mutually contradictory.

Model 41 and 41b provide (further) evidence for a significant negative relationship between organizational citizenship behavior and organizational performance in terms of quality, while the relationship between the latter and organizational profitability appears insignificant (Models 42 and 42b). Thus, Models 41-42b provide *no support for either hypothesis 11c or 11d* postulating a positive relationship between organizational performance and organizational citizenship behavior. Also here we suggest the interpretation that the results of Models 41 and 41b at least partly reflect a reverse causation from organizational performance, or something which the variable of organizational performance stands proxy for, to organizational citizenship behavior.

We thus suggest that there is something in organizations performing with better quality that significantly diminishes both organizational citizenship behavior and psychological empowerment (but not employee performance in terms of internal innovativity). Whatever the possible explanation for this, at least it may be concluded that also the negative relationship between organizational citizenship behavior and organizational performance goes interestingly against much normative/theoretical management literature concerning organizational citizenship behavior.

The evidence as interpreted above with reference to the role of organizational citizenship behavior as a mediator of the potential influence of HRM on employee and organizational performance is exhibited in Figure 10<sup>475</sup>.

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inconsistent with the argument that competence is required for organizational citizenship behavior (see the argument in connection to Model 23).

<sup>475</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The *dotted lines* denote reverse relationships. The sign ‘(-)’ denotes negative relationships. Further:

- (a) In Model 35 only weakly significant;
- (b) In Model 16 only weakly significant;
- (d) Strongly significant only in the backward selected Model 36b

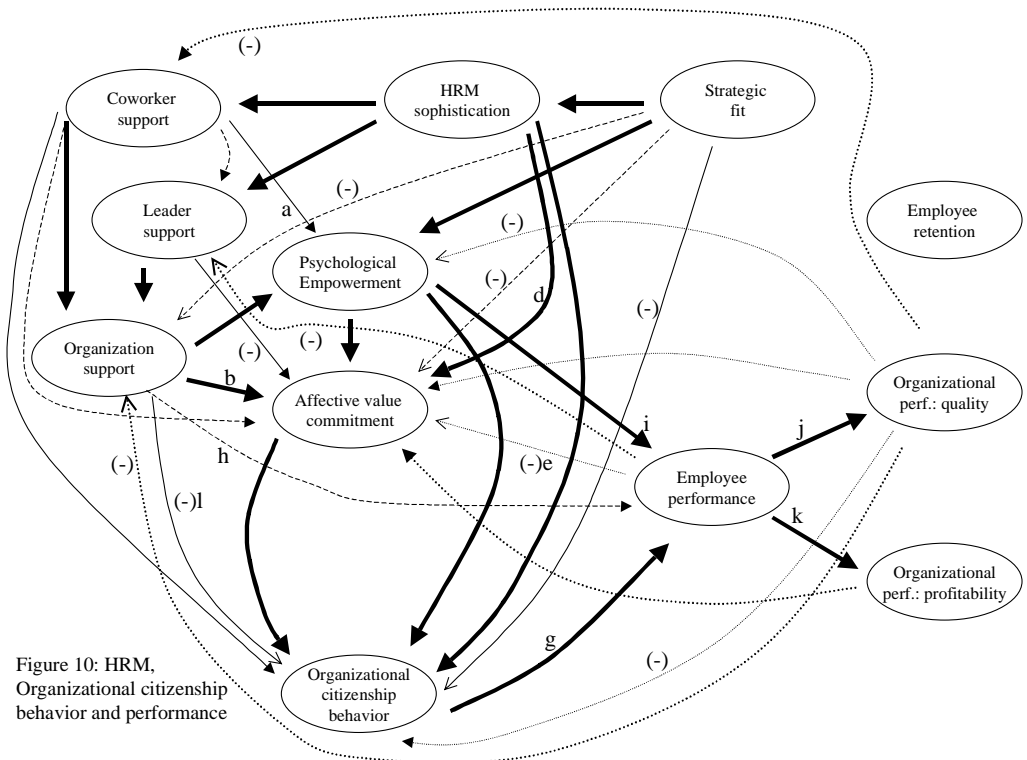


Figure 10: HRM, Organizational citizenship behavior and performance

### Affective continuance commitment, employee and organizational performance.

Model 46-47b indicate that there is no direct relationship between affective continuance commitment and *employee performance in terms of quality/efficiency* and thus *no support for hypothesis 9c*.

Model 48 exhibits a weakly significant positive relationship between affective continuance commitment and *employee performance in terms of internal innovativity*. Also this relationship gets somewhat stronger when we control for organizational performance (Model 49), however, still not strongly significant. In Models 48b and in particular 49b this relationship is significant. Thus, Models 48-49b offer some *support for hypothesis 9d*.

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- (e) With reference to 'Employee performance: quality/efficiency' insignificant in Model 46. With reference to 'Employee performance: innovativity' only weakly significant in Model 48.
  - (g) With reference to 'Employee performance: quality/efficiency' not significant at all (Models 46-47b).
  - (h) Essentially significant only with reference to 'Employee performance: quality/efficiency' (Models 46-47b) but not with reference to 'Employee performance: innovativity' (Models 48-49b).
  - (i) Only weakly significant in Model 46.
  - (j) With reference to 'Employee performance: innovativity' not significant at all in Model 41. while strongly significant in the backward selected Models 41b'.
  - (k) With reference to 'Employee performance: innovativity' not significant at all (Models 42-42b).
  - (l) Significant only in Model 38b.

Based upon Model 41 and 41b it appears that affective continuance commitment is negatively but at the most weakly significantly related to *organizational performance in terms of quality*. However, Models 42 and 42b provide support for a significant negative relationship between affective continuance commitment and *organizational profitability*.

*Although the relationships between 'Continuance commitment' and the employee performance variables are only partially significant we will pursue the possibility of giving a consistent interpretation of the tendencies here including the other relationships found and interpreted above in order to understand the overall compatibility and thus plausibility of the results.*

The interpretation that the relationship between continuance commitment and organizational performance is due to an influence from the former to the latter appears problematical. Our analyses do support the possibility that at least perceived prospects for the organization's future performance may have a positive influence on employees' affective continuance commitment (Models 37 and 37b). In addition, also organizational image may have such an influence (Model 37). These relationships appear in line with the findings in Fenton-O'Creevy et al., 1997, p. 603)<sup>476</sup>. Fenton-O'Creevy et al. also found that future prospects of organizational performance may have a negative influence on involvement (ibid, p. 603) which in principle could at least explain the negative correlation between continuance commitment and organizational performance. However, although not shown in the descriptive statistics, in our data the zero-order correlation between the component of involvement included in the construct of affective value commitment and future prospects of organizational performance is simply insignificant (but positive)<sup>477</sup>. Nevertheless, a parallel to the relationship found by Fenton-O'Creevy et al. appears in our study as a significant negative relationship between perceived future prospects of organizational performance and employee performance both in terms of quality/efficiency and innovativity (Models 46b, 47b, 48b and 49b)<sup>478</sup>. Regardless of

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<sup>476</sup> The differences in the relationships between, on the one hand image/prospects and continuance commitment (Models 37 and 37b) and, on the other hand organizational performance and continuance commitment (Models 37, 37b and 41-42b) may seem odd. However, employees may e.g. perceive future prospects to be good for example due to the prospect of the industry or industry segment or due to changes in the circumstances even if the performance of the particular organization during the past two years has not been equally good. Such possibilities makes the above noted differences intelligible. In fact, at least it appears quite plausible that people may be more affectively continuance committed to organizations with good prospects than to organizations performing relatively well or, in particular, more committed to organizations whose prospects are good but whose performance has not been particularly good than to organizations who actually perform very well.

<sup>477</sup> The positive zero-order correlation between affective value commitment and future prospects of organizational performance (Table 25b) is largely due to the element of identification included in the construct of affective value commitment. The higher order correlation between affective value commitment and future prospects is significant in Model 36b but not in Model 36.

<sup>478</sup> This relationship is congruent with a generalization of Fenton-O'Creevy et al.'s "instrumental" interpretations of their findings in terms of a negative relationship between employees' involvement and such prospects. One variation of their argument was that "employees have learned that effort does not matter to the company when prices are firm and reserves are sound" (1997, p. 605) i.e. that employees' involvement is not as much noticed and thus not needed for reasons of e.g. job security in good times (when the company prospects look good) as when times are worse. Although we do not

this there is however a positive (rather than negative) relationship between affective continuance commitment and employee performance, even significantly positive with reference to employee performance in terms of innovativity (Models 48, 48b, 49 and 49b). The residual correlation between employee performance in terms of innovativity and organizational performance in terms of quality is also positive rather than negative (Models 41 and 41b). These relationships do not thus seem to offer explanations of the negative relationship between continuance commitment and organizational performance.

Neither is it on the basis of the current data really plausible to argue that affective continuance commitment could negatively (indirectly) influence organizational performance through employee retention.

Although somewhat implausible, it does not seem conceptually nor empirically impossible to argue that higher employee retention could tend to lead to lower employee performance in terms of internal innovativity (Models 43) as well as lower organizational performance (Model 45). It may even be the case that employee retention has a negative effect on organizational performance in terms of quality through its negative relationship with employee performance in terms of innovativity since the latter appears significantly positively related to organizational performance in terms of quality (Model 41b). However, since there appears to be no significant relationship between affective continuance commitment and employee retention, the possibility of such an interpretation does not really lead us further.

In addition, it does seem conceptually more plausible to argue that if anything employee retention might be negatively influenced by both better employee performance (Model 43) and better organizational performance (Model 45) rather than the other way around. The former possibility would also be more consistent with our interpretation of the negative relationship between psychological empowerment and affective continuance commitment (Models 21-22b, 36 and 36b) as well as the negative relationship between affective value commitment and employee performance (Models 46-49b).

In summary, based on the current data/analysis/interpretations we conclude at least that there seem to be no good justification (explanation) for an interpretation in terms of a causal influence of affective continuance commitment on organizational performance.

The negative correlation between these variables (Models 41-42b) could instead be interpreted to indicate a reverse causation. It could be conceived as plausible that employees in general in better performing organizations might tend to feel stronger (perhaps due to more opportunities) and thus also on the margin tend to exhibit less continuance commitment as well as tend to quit more often. The weak tendency towards a positive relationship between affective continuance commitment and employee retention (Model 43) could thus be understood, in line with the above, to

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distinguish between employee involvement and identification, also the relationships between 'Perceived prospects of becoming a partner' and both 'Continuance commitment' (Models 37 and 37b) and 'Affective commitment' (Models 36 and 36b) are congruent with the findings of Fenton-O'Creevy et al. (1997).

indicate that there is a weak but insignificant overall tendency for affective continuance commitment to result in lower employee turnover but high organizational performance tends to influence negatively both of the former phenomena (Models 37, 37b, 41, 41b, 42, 42b and 45).

Thus it may be the case that better organizational performance on average induces a negative (psychological) effect on affective continuance commitment such that it is difficult to achieve high organizational performance while also keeping employees affectively continuance committed just as organizations tend to have difficulties to produce psychologically empowered employees who are also affectively continuance committed (Models 21-22b and 37-37b) and high performing employees who are also affectively value committed (Models 46, 46b, 47, 47b, 48, 48b, 49 and 49b). This would not be incompatible with the possibility that affective continuance commitment, independent of organizational performance, might also have some positive influence on organizational performance as mediated by employee performance in terms of internal innovativity. Such a possibility is at least not precluded by Models 48, 48b, 49, 49b as well as 41b.

However, in addition to the partly weak significances there are problems with this reverse causational interpretation also. It may be intelligible and acceptable that better organizational performance leads to higher affective value commitment but tends to lead to lower affective continuance commitment (Models 41, 41b, 42 and 42b). It also seems coherent that affective value commitment, independent of employee and organizational performance, may have a positive influence on affective continuance commitment (supported by Model 37 but not 37b) while psychological empowerment seem to have the opposite direct effect (Models 21-22b, 37 and 37b). However, it is more difficult to understand the fact that also better employee performance according to our interpretations appears to lead to feelings of strength and independence and thus less affective value commitment (Models 47-49b) while affective continuance commitment seem to be positively rather than negatively related at least to employee performance in terms of (internal) innovativity (Models 48-49b).

We could make some more sense of these relationships to the extent that we change the (psychological ) interpretation of the negative relationship between employee performance and affective value commitment. Perhaps this relationship is not due to an influence from the former to the latter. It may be that employees who tend to be affectively value committed also tend to be weaker performers because of some latent common cause and perhaps even for the same reason also exhibit less organizational citizenship behavior. This would thus mean changing the earlier interpretation of the relationship between affective value commitment and employee performance in terms of a reverse causation as well as the interpretation of affective value commitment as mediating a negative influence of employee performance on organizational citizenship behavior. Depending on the potential latent phenomenon it may also change the interpretation, given in connection to Model 23, that competence is required for organizational citizenship behavior.

Even so, how can we understand the fact that psychological empowerment (arguably through feelings of strength and independence) seems to be able to reduce affective continuance commitment (Models 21-22b; 37-37b) while better employee performance does not appear to do so (Models 37, 37b, 46-49b). This *could* be understood since those who perform well do not appear *always* to be correspondingly



psychologically empowered. However, this argumentation would imply that psychological empowerment would have to be a stronger determinant than good performance of feelings of strength and independence. This does not appear psychologically impossible and does not appear contradictory to the interpretation given above of the relationships between psychological empowerment, organizational citizenship behavior and employee performance. Nevertheless, since psychological empowerment appears positively related to affective value commitment also this argumentation/interpretation may suggest that we change the interpretation of the relationship between affective value commitment and employee work performance in terms of a reverse causation. Otherwise it is difficult to hold on to the interpretation that psychological empowerment, compared to employee performance, is a stronger determinant of feelings of strength and independence. The latter interpretation was arguably needed in order to make sense both of the negative relationship between psychological empowerment and affective continuance commitment as well as the positive relationships between affective continuance commitment and employee performance in terms of innovativity. Also here coherence would thus rather suggest a potential common factor which has an opposite influence on affective value commitment (and perhaps on organizational citizenship behavior) compared to its influence on employee work performance.

However, even if all the above was conceivable, how can we understand the fact that better organizational performance tends to negatively influence/be negatively related to affective continuance commitment while better employee performance does/is not (Models 41, 41b, 42, 42b, as well as 37 and 37b)? In order to preserve the coherence of the above interpretations this would seem to imply that also organizational performance is a stronger cause of feelings of strength and independence than employee performance. This does not appear impossible. However, trying to understand the coherence of these results we are already far down the road of ad hoc explanations.

Further, the general interpretation that affective continuance commitment is negatively influenced by organizational performance seems to be problematical also for other reasons than the partly low significances and incoherences. Neither those who express relatively less affective continuance commitment (Model 37-37b), nor those who work for organizations doing relatively better (Models 41-42b), score strongly significantly higher on 'Perceived job opportunities' or 'Recent job offers'<sup>479</sup>. Thus, the phenomena of job opportunities/job offers do not appear to offer very good *explanations* for a negative influence of better organizational performance on continuance commitment nor even for the negative correlation between them. Further, both 'Workload' and 'Psychological empowerment' are negatively related to 'Continuance commitment' (Models 37 and 37b) but not significantly positively related to organizational performance. In fact, employees in more profitable

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<sup>479</sup> None of these zero-order correlations are significant (Table 25b). In fact, in more profitable organizations it appears that employees tend to perceive less job opportunities rather than more (Model 42 and 42b). Employees in organizations showing better organizational performance in terms of quality do appear to tend to receive more job offers (Models 41 and 41b). However, since affective continuance commitment appears less significantly related to organizational performance in terms of quality than to profitability, this insignificant evidence appears paradoxical to the extent that it may be perceived as relevant at all.

organizations appear to exhibit less rather than more workload (Models 42 and 42b) while employees in organizations showing better qualitative performance tend to be less psychologically empowered rather than more and confront less rather than more (too big) demands (Models 41 and 41b). These phenomena do thus neither appear to offer a potential *explanation* for a negative reverse influence of organizational performance on affective continuance commitment nor more generally of the negative correlation between them.

Thus in summary, the tendency towards a negative relation between affective continuance commitment and organizational performance (Models 41-42b) seems not to be intelligible against the background of these analyses. Neither does the one between employee performance in terms of internal innovativity and affective continuance commitment (Models 48-49b). The suspension of any judgement about these correlations appears justified. Thus, based upon the interpretation of all the regression analyses we have arrived at the overall model of HRM's potential influence on the theoretical variables exhibited in Figure 11<sup>480</sup>.

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<sup>480</sup> The *thick lines* denote theorized relationships. The *whole lines* denote relationships with a strong support (Sig.  $\leq 0.05$ ; one-tailed test). The *dashed lines* denote relationships with only a weak support (Sig.  $\leq 0.10$ ; one-tailed test). The *dotted lines* denote reverse relationships. The sign '(-)' denotes negative relationships. Further:

- (a) In Model 35 only weakly significant;
- (b) In Model 16 only weakly significant;
- (c) The relation between affective value and continuance commitment is insignificant in Model 37b.
- (d) Strongly significant only in the backward selected Model 36b
- (e) With reference to 'Employee performance: quality/efficiency' insignificant in Model 46. With reference to 'Employee performance: innovativity' only weakly significant in Model 48.
- (f) With reference to 'Employee performance: quality/efficiency' not significant at all (Models 46-47b). With reference to 'Employee performance: innovativity' strongly significant in the backward selected Models 48b and 49b'.
- (g) With reference to 'Employee performance: quality/efficiency' not significant at all (Models 46-47b).
- (h) Essentially significant only with reference to 'Employee performance: quality/efficiency' (Models 46-47b) but not with reference to 'Employee performance: innovativity' (Models 48-49b).
- (i) Only weakly significant in Model 46.
- (j) With reference to 'Employee performance: innovativity' not significant at all in Model 41. while strongly significant in the backward selected Models 41b'
- (k) With reference to 'Employee performance: innovativity' not significant at all (Models 42-42b).
- (l) Significant only in Model 38b.

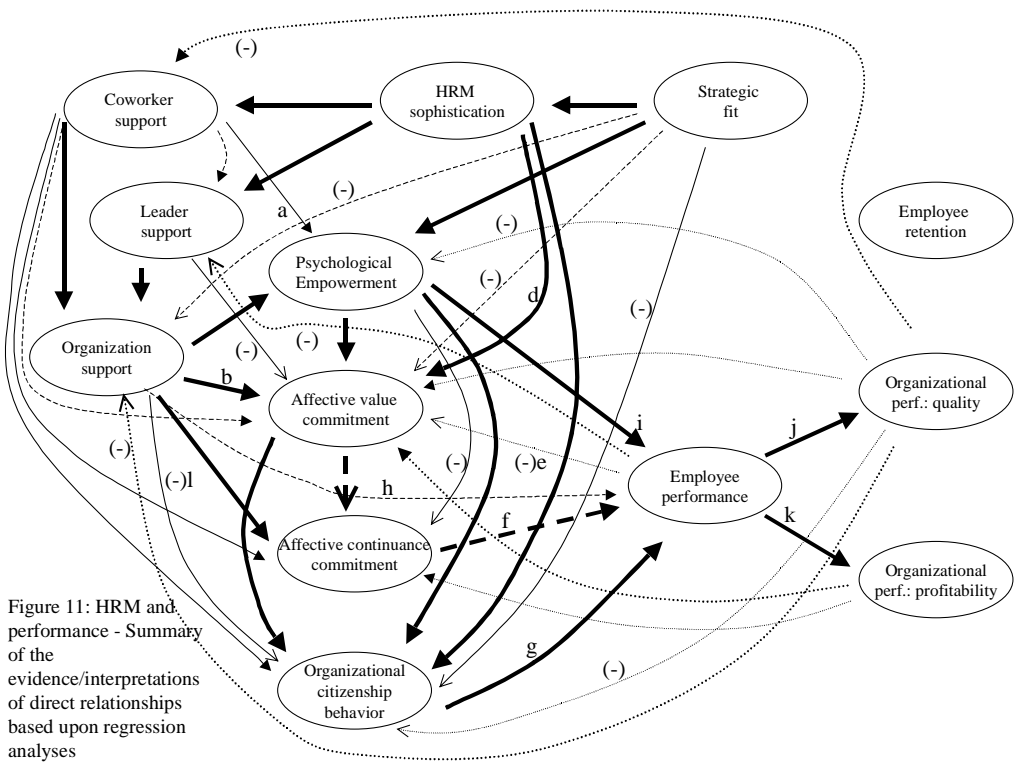


Figure 11: HRM and performance - Summary of the evidence/interpretations of direct relationships based upon regression analyses

**Significance of indirect and total relationships between the central theoretical variables including controls.** As a last piece of evidence we provide estimates of direct, indirect and total relationships between the focal theoretical variables as extended in Figure 4 and exhibited in Figure 11. These estimates in Table 37 and Table 38 are based upon a full structural equation Model 50 including only composite scores and all those relationships which were found to be significant in the regression analyses<sup>481</sup>.

<sup>481</sup> Apart from the  $\beta$ -coefficients and the sometimes used criteria in terms of  $\chi^2/df \leq 3$ , this structural equation model does not have acceptable fit statistics. The analysis is used simply to arrive at some rough idea of the potential indirect effects of HRM on the postulated theoretical variables while including all the (control) relationships that were indicated to be important in the regression analyses (Models 10b, 35b, 16b, 36b, 22b, 37b, 30b, 38b, 46b, 47b, 48b and 49b as well as 41b and 42b). What this model at least may indicate is the kind of evidence that we would need, with a larger sample, less common method errors and better constructs. Since the model does not exhibit acceptable fit statistics and the number of parameters is larger than the total sample size and the estimates thus unreliable these estimates are at the most indicative. They are however largely compatible with the more justified simpler structural equation models and regression analyses described earlier.

Table 37: HRM and intermediate attitudes. Interpreted evidence of direct, indirect and total relationships (based upon Model 50).

Variables	Psychological empowerment			Affective value commitment			Affective continuance commitment			Organizational citizenship behavior		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Strategic fit	0.11 <sup>**</sup>	0.01	0.11 <sup>**</sup>	-0.14 <sup>***</sup>	-0.03 <sup>a*</sup>	-0.11 <sup>**</sup>	Ø	-0.04 <sup>a*</sup>	-0.07 <sup>**</sup>	-0.08 <sup>*</sup>	0.01 <sup>a</sup>	-0.07
HRM sophistication	Ø	0.09 <sup>***</sup>	0.09 <sup>***</sup>	Ø	0.03 <sup>b</sup>	0.03	Ø	0.09 <sup>***</sup>	0.09 <sup>***</sup>	0.20 <sup>***</sup>	0.08 <sup>***</sup>	0.28 <sup>***</sup>
Organization support	0.18 <sup>**</sup>	0.00	0.17 <sup>**</sup>	0.25 <sup>***</sup>	0.09 <sup>**</sup>	0.34 <sup>***</sup>	0.36 <sup>***</sup>	-0.01	0.35 <sup>***</sup>	Ø	0.10 <sup>***</sup>	0.10 <sup>***</sup>
Coworker support	0.18 <sup>***</sup>	0.04 <sup>**</sup>	0.22 <sup>***</sup>	Ø	0.16 <sup>***</sup>	0.16 <sup>***</sup>	0.19 <sup>***</sup>	0.03	0.22 <sup>***</sup>	0.24 <sup>***</sup>	0.02 <sup>*</sup>	0.27 <sup>***</sup>
Leader support	Ø	0.04 <sup>**</sup>	0.04 <sup>**</sup>	-0.25 <sup>***</sup>	0.09 <sup>***</sup>	-0.16 <sup>***</sup>	Ø	0.05	0.05	Ø	-0.07 <sup>***</sup>	-0.07 <sup>***</sup>
Psych. empowerment	Ø	-0.01 <sup>c*</sup>	-0.01 <sup>*</sup>	0.60 <sup>***</sup>	-0.07 <sup>**</sup>	0.53 <sup>***</sup>	-0.37 <sup>***</sup>	0.08 <sup>*</sup>	-0.29 <sup>***</sup>	-0.16 <sup>d**</sup>	0.19 <sup>***</sup>	0.03
Aff. value commitment	Ø	-	-	Ø	-	-	0.17 <sup>**</sup>	-	0.17 <sup>**</sup>	0.40 <sup>***</sup>	-	0.40 <sup>***</sup>
Aff. continuance com.	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Organizat. citizenship beh.	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Empl. perf: quality/efficacy	Ø	-0.03 <sup>e*</sup>	-0.03 <sup>*</sup>	-0.03	0.02 <sup>f</sup>	-0.01	Ø	-0.04 <sup>g**</sup>	-0.04 <sup>**</sup>	Ø	-0.05 <sup>h**</sup>	-0.05 <sup>**</sup>
Empl. perf: innovativity	Ø	-	-	-0.16 <sup>***</sup>	-	-0.16 <sup>***</sup>	Ø	-0.03 <sup>i**</sup>	-0.03 <sup>**</sup>	Ø	-0.06 <sup>i***</sup>	-0.06 <sup>***</sup>
Organ. Perf.: quality	-0.10 <sup>*</sup>	0.00	-0.10 <sup>*</sup>	0.16 <sup>***</sup>	-0.05 <sup>j*</sup>	0.11 <sup>**</sup>	-0.17 <sup>***</sup>	0.06 <sup>k**</sup>	-0.12 <sup>**</sup>	-0.20 <sup>***</sup>	0.06 <sup>k**</sup>	-0.14 <sup>***</sup>
Organ. perf.: profitability	-0.12 <sup>**</sup>	0.00	-0.12 <sup>**</sup>	-0.01	-0.06 <sup>j**</sup>	-0.07	-0.08 <sup>*</sup>	0.03 <sup>k*</sup>	-0.05	-0.10 <sup>**</sup>	-0.01 <sup>k</sup>	-0.10 <sup>**</sup>

One-tailed sig. test: <sup>\*</sup>p<.10 / <sup>\*\*</sup>p<.05 / <sup>\*\*\*</sup>p<.01 Ø = (Causal) relationship not included in model

- These indirect effects have been calculated while excluding the direct relationship between 'Strategic fit' and 'Psychological empowerment' and are thus the indirect effects as mediated by 'HRM sophistication' in line with our theorization.
- The insignificant indirect (and total) relationship between 'HRM sophistication' and 'Affective value commitment' is apparently due to the negative relationship between 'Leader support' and 'Affective value commitment'. Thus it may be biased. However, it has no bearing on the relationships between either 'Strategic fit' or 'HRM sophistication' and organizational performance in terms of either quality or profitability.
- This relationships of 'Psychological empowerment' with itself is arguably due to the interpreted reverse causation between organizational performance and psychological empowerment.
- The direct relationship between 'Psychological empowerment' and 'Organizational citizenship behavior' is the only result of Model 50 which is radically different compared to the regression analyses. We have not been able to find an explanation for this. It should thus be interpreted with particular caution.
- This relationship is due to the interpreted reverse negative relationship between 'Psychological empowerment' and the organizational performance variables.
- This relationship is due to the interpreted reverse positive relationship between 'Affective value commitment' and the organizational performance variables.
- This relationship is due to the interpreted reverse negative relationship between 'Affective continuance commitment' and the organizational performance variables.
- This relationship is due to both the interpreted reverse negative relationship between 'Organizational citizenship behavior' and the organizational performance variables and the interpreted negative reverse relationships between 'Affective value commitment' and the employee performance variables.
- These relationships are due to the interpreted reverse negative relationships between 'Affective value commitment' and the employee performance variables.
- These relationships are due to the interpreted reverse negative relationships between 'Psychological empowerment' and the organizational performance variables.
- These relationships are due to the interpreted reverse negative relationships between 'Psychological empowerment' (negative) and 'Affective value commitment' (positive) and the organizational performance variables.

Table 38: HRM and performance. Interpreted evidence of direct, indirect and total relationships (based upon Model 50).

Variables	Empl. perf: quality/efficacy			Empl. perf: innovativity			Organizat. perf: quality			Organizat. perf: profitability		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Strategic fit	Ø	0.00 <sup>a</sup>	0.04 <sup>a*</sup>	Ø	0.00 <sup>a</sup>	0.04 <sup>a*</sup>	Ø	0.00 <sup>a</sup>	0.01 <sup>a*</sup>	Ø	0.00 <sup>a</sup>	0.00 <sup>a</sup>
HRM sophistication	Ø	0.04 <sup>***</sup>	-	Ø	0.02 <sup>b</sup>	-	Ø	0.01 <sup>**</sup>	-	Ø	0.00	-
Organization support	Ø	0.07 <sup>**</sup>	-	Ø	0.07 <sup>**</sup>	-	Ø	0.02 <sup>*</sup>	-	Ø	0.01	0.01
Coworker support	Ø	0.09 <sup>***</sup>	-	-0.06	0.09 <sup>***</sup>	0.04	Ø	0.02 <sup>*</sup>	-	Ø	0.01	-
Leader support	Ø	0.02 <sup>*</sup>	-	Ø	0.02 <sup>*</sup>	-	Ø	0.00 <sup>*</sup>	-	Ø	0.00	-
Psych. empowerment	0.40 <sup>***</sup>	-0.01 <sup>c</sup>	0.40 <sup>***</sup>	0.42 <sup>***</sup>	-0.01 <sup>c</sup>	0.41 <sup>***</sup>	Ø	0.09 <sup>***</sup>	0.09 <sup>***</sup>	Ø	0.04	0.04
Aff. value commitment	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Aff. continuance com.	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Organizat. citizenship beh.	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Empl. perf: quality/efficacy	Ø	-0.01 <sup>c*</sup>	-0.01 <sup>c*</sup>	Ø	-0.01 <sup>c*</sup>	-0.01 <sup>c*</sup>	0.23 <sup>***</sup>	0.00	0.22 <sup>***</sup>	0.10	0.00	0.10
Empl. perf: innovativity	Ø	-	-	Ø	-	-	Ø	-	-	Ø	-	-
Organ. Perf.: quality	Ø	-0.04 <sup>c*</sup>	-0.04 <sup>c*</sup>	Ø	-0.04 <sup>c*</sup>	-0.04 <sup>c*</sup>	Ø	-0.01 <sup>c</sup>	-0.01 <sup>c</sup>	Ø	0.00	0.00
Organ. perf.: profitability	Ø	-0.05 <sup>c*</sup>	-0.05 <sup>c*</sup>	Ø	-0.05 <sup>c*</sup>	-0.05 <sup>c*</sup>	Ø	-0.01 <sup>c*</sup>	-0.01 <sup>c*</sup>	Ø	0.00	0.00

One-tailed sig. test: <sup>\*</sup>p<.10 / <sup>\*\*</sup>p<.05 / <sup>\*\*\*</sup>p<.01    Ø = Causal relationship not included in model

- The indirect effects between 'Strategic fit' and employee/organizational performance variables have been calculated while constraining the direct relationship between 'Strategic fit' and 'Psychological empowerment' in order to test our theorizing. The total relationships allow for this.
- We have found no explanation for the insignificance of this indirect relationship. This evidence should thus be interpreted with particular caution.
- These relationships are due to the interpreted reverse negative relationships between the organizational performance variables and 'Psychological empowerment'.

*It may be noted that, according to this highly tentative and statistically questionable evidence, HRM sophistication appears to have a significant indirect (explained) relationship with employee performance in terms of quality/efficiency as well as organizational performance in terms of quality but not in terms of profitability. Both of these explanations involve only the intermediate attitude of psychological empowerment together with the exploratively postulated social architecture.*

## 9.5 SUMMARY OF MAJOR EMPIRICAL FINDINGS AND INTERPRETATIONS

There is a quite strong support for a direct relationship between HRM sophistication and both of the identified forms of organizational performance both excluding focal intermediate variables (Models 3 and 4) and including all the controls and intermediate variables (Models 41-42b). This is congruent with the earlier evidence as reviewed in section 6.2.1.

**Indirect effects. Organizational performance.** However, of particular interest from the perspective of this thesis and the field of human resource management in general is that there are only two statistically somewhat dubious pieces of evidence for an explained relationship between HRM sophistication and organizational performance. One piece of evidence is the weakly significant indirect relationship in Model 39a, the other piece of evidence is the significant (but statistically much more questionable) one in Table 38. Both of these pieces of evidence concern an explained relationship between HRM sophistication and organizational performance in terms of quality. There is no evidence for an explained relationship between HRM and organizational performance in terms of profitability. Of the focal theoretical variables as outlined in section 7.1 these pieces of evidence involve only psychological empowerment in addition to the social architecture as developed in section 9.3.2 and further discussed in section 9.3.4. There is no such evidence of an explained relationship between strategic fit and organizational performance as mediated by HRM sophistication in accordance with the theorization in sections 3.3.2.3 and 3.4. Model 50, although admittedly very tentative primarily due to the ratio of parameters and observations, indicates some positive evidence as noted at the end of the last section.

*Employee performance.* It is however also interesting that the analyses provide evidence of an intelligible mechanism of HRM's influence on employee work performance, i.e. as mediated primarily by a social architecture and secondarily by psychological empowerment. Evidence for *the possibility* of such a mechanism is provided by the regression analyses both with a large number of control variables as well as without them. Evidence of the significance of the influence of HRM on both employee performance in terms of quality/efficiency and innovativity as mediated by the above mechanism is provided both in Models 39a-40b as well as in the simpler versions of these models. Additional evidence for the significance of the indirect influence of HRM sophistication (but not strategic fit) on employee performance in terms of quality/efficiency is provided by Model 50 as exhibited in Table 38<sup>482</sup>.

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<sup>482</sup> The evidence in terms of this model that the indirect relationship between HRM sophistication and employee performance in terms of innovativity is not significant should be treated with particular caution. As noted above there seem to be no good explanation for this evidence.

*Intermediate attitudes.* The analyses further provide some evidence of the positive influence of HRM sophistication on all the focal intermediate attitudes. With the exception of a direct significant relationship between HRM sophistication and organizational citizenship behavior and a somewhat more ambiguous one between HRM sophistication and affective value commitment, the analyses indicate that HRM sophistication may have a strongly significant influence on psychological empowerment, affective value commitment and affective continuance commitment only as mediated by what we called a social architecture. The results of the analyses with reference to these relationships were discussed in more detail in section 9.3.4. Although there appears to be some contradictory lines of influence, the net effect with reference to all intermediate attitudes except possibly affective value commitment (Model 50, Table 37) appears to be positive. This evidence is thus somewhat different although not outrightly contradicting earlier evidence with reference to organizational commitment provided by Guest and Hoque (1994) and Ogilvie (1987) as reviewed in section 6.2.5.

*Strategic fit.* Less in line with our theorization, this thesis also provides some evidence a unique negative role of strategic fit with reference to the intermediate attitudinal variables which is interpreted and discussed in more detail in section 9.3.5 and also evidenced by Model 50 (Table 37). However, the analyses also provide some evidence (e.g. in terms of Model 50, Table 38) of a distinct influence of strategic fit on employee work performance as mediated directly by psychological empowerment.

Concerning the apparently contradictory influences our interpretations of the regression analyses as well as Model 50 (Tables 37 and 38) including controls indicate the existence (or could at least not exclude the existence) of the following interesting (contradictory) negative indirect relationships: those between HRM and notably affective continuance commitment (through psychological empowerment), HRM and affective value commitment (through employee performance and [even] more implausibly through leader support). The analyses and interpretations also indicate that organizational performance, or arguably rather something which organizational performance may stand proxy for, may have some negative influence on psychological empowerment, organizational citizenship behavior and more ambiguously on affective continuance commitment.

The evidence and interpretations of the role of and relationships between the focal theoretical variables will be briefly recapitulated in the following:

- **Employee retention.** None of the theoretical variables appear to be able to unequivocally and distinctly explain employee retention (Models 43 and 45) whereas included in more simple analyses all of the focal attitudinal variables appear to be correlated with employee retention (see the discussion of the simplified version of Models 39a-40b). This evidence contradicts a lot of earlier evidence as reviewed in section 7.2.4.2 but is in line with Huselid and Day (1991).
- **Internal relationships between employee attitudes.** More psychologically empowered employees feel more affective value commitment most likely because of both (calculative) exchange theoretical and (less calculative) psychological reasons *because employees tend to like to feel empowered* (Models 16, 16b, 36, 36b, 39a-40b, and Table 37); both more psychologically empowered and more affectively value committed employees tend to engage more in organizational

citizenship behavior (Models 30, 30b, 38, 38b and Table 37) perhaps *because of exchange theoretical reasons and/or reasons of competence*; while more affectively committed employees do tend, although not unambiguously, to be significantly more affectively continuance committed (Models 22, 22b, 37, 37b and Table 37). Further, arguably *because of "feeling strong and free"*, more psychologically empowered employees tend to feel less affective continuance commitment (Models 22, 22b, 37, 37b and Table 37). In addition, the above mentioned analyses provide evidence for the fact that organization support appears directly positively related to three of the four focal intermediate attitudes, the exception being organizational citizenship behavior.

- **Employee attitudes and employee performance.** More psychologically empowered employees tend to be *better* performing employees (Models 47-49b and Table 38), while employees who are performing better tend to feel *less* affective value commitment perhaps *because of "feeling strong and free"* (Models 36-36b, 47-49b, and Table 38). There is also some somewhat ambiguous evidence for the fact that employees performing with better quality/efficiency may tend to engage less rather than more in organizational citizenship behavior (Model 30, 30b, 38, 38b, 46-47b).
- **Attitudes and organizational performance.** Employees would most likely *appear to enjoy working for* better performing organizations and therefore tend to develop more affective value commitment for such organizations (Models 36-36b and 41-42b, Table 38), better performing organizations, *for some, with reference to the current data inexplicable reasons*, appear to allow less rather than more room for psychological empowerment and organizational citizenship behavior (Models 35-35b, 38-38b and 41-42b, Table 38),
- **Employee and organizational performance.** Employee performance in terms of quality/efficiency but only ambiguously in terms of (internal) innovativity seem at least possibly to be able to influence organizational performance (Models 39a-40b, 41-42b and Table 38).

We began by offering the interpretation that the lower affective value commitment among well performing employees was due to a reverse causation such that well performing employees "feel strong and free" and therefore exhibit less affective value commitment. But why would better employee performance not also lead to lower affective continuance commitment? Further, is it really plausible that psychological empowerment would positively influence affective value commitment (because employees like to feel empowered) but that better employee performance would negatively influence affective value commitment? This seems questionable in particular since we argued above that psychological empowerment seem to be a stronger determinant of feelings of strength and independence than employee performance is.

Because of the internal relationships between psychological empowerment, affective value commitment, affective continuance commitment and employee performance we argued that the relationship between affective value commitment and employee performance should/could perhaps be understood as being due to *a latent common cause* unaccounted for in this study. This would be something which leads both to a disposition towards higher affective value commitment and lower employee



performance. In fact, this could be compatible with the residual negative relationship between 'Affective commitment' and 'Leader support' (Models 16, 16b, 36 and 36b). If some underlying phenomenon leads to both higher affective value commitment and lower employee performance, this underlying phenomenon could also explain why affectively value committed employees, when controlling for a host of other causes, tend to rate leader support as lower. It may be that such employees are *in a greater need and/or receive less* of leader support. It may equally further be noted that the tendency toward a negative relationship between employee performance in terms of internal innovativity and both leader support and coworker support (Models 48-49b) appears at least logically compatible with such an interpretation. However, this interpretation would alter the simple unidirectional interpretation of the relationship between leader support and affective value commitment and would thus also in more than one way change the interpretation of the overall exploratively suggested model (Figure 4). Here is one example of a potential violation of the assumptions of unidirectional relationships generally required in regression analyses and most often adopted in social scientific research (compare March and Sutton, 1997, p. 701).

In summary, concerning the relationships between the attitudinal phenomena and employee and organizational performance the above seem to involve a blend of tautological, ad hoc and incoherent explanations in some contrast to the simple ones proposed by either our original or extended theorizing. However, we cannot conceive of better interpretations of the results. In the last instance, although partial interpretations of our results seem to make sense, the complexity of the relationships appears as a lack of overall completely coherent and clearly plausible interpretations, in particular if we try to account also for the weaker tendencies towards significant relationships. This bears some witness to potential problems of making too simplistic causal interpretations of the individual relationships. Quite plausibly these relationships are simply very complex and may in most circumstances involve interesting multi-directional causal influences for which there are considerable difficulties to provide adequate quantitative empirical evidence (March and Sutton, 1997, pp. 700-701).

The fact that results like the ones presented and interpreted above are *possible* seem to reflect certain ambiguities concerning the constructs and/or their relationships, even if not necessarily unresolvable/unintelligible contradictions and/or paradoxes. Such ambiguities/contradictions/paradoxes can only be pursued by further research. When evaluating the indications of such ambiguities we are however clearly also faced with questions of the validity and reliability of our measures, constructs and data as well as the adequacy of the models. In retrospect, we may say that what else than such difficulties and ambiguities could be expected given the current state of theorizing, available measurement instruments and the a priori conceivable complexity of organizational behavior, its causes and its outcomes. It may be argued that simpler analyses where we e.g. analyze the intermediate constructs one at the time give a better picture of the relationships with the outcome variables since the intermediate attitudes may not be competing phenomena. However, the complexity as outlined above indicates that it in many cases appear to be difficult to *justify*, on the basis of such simplified analyses, that a certain variable is really significantly related to another in a certain way. We have argued that such more simplified analyses really only represent empirical science in a very ornamental sense.

Finally, in addition to the questionable nature of the measures/variables, we have to bear in mind that all the relationships concerning the organizational performance variables in particular are clearly very tentative and inconclusive, not the least due to the methodological problems (e.g. number of observations per organization/levels of analyses/appropriateness (and lack!) of controls [see section 7.3, 7.5 and 8.2.6]). However, at the same time it is not implausible that the complex and ambiguous relationships noted above are what also other research will meet to the extent that it pays more attention to potential heterogeneity and simultaneity biases than what seems to have been the standard in studies of these phenomena.

On the whole, the arguments/analyses/results/interpretations in thesis thus also function as a challenge to quantitative organizational research in terms of questioning the credibility of empirical evidence in terms of very simplified models.

## 10 CONCLUSIONS

### 10.1 SUMMARY OF THE THESIS

In section 1.4 we noted the need to synthesize the fragmented conceptual and empirical literature on HRM and its relation to organizational performance. As one of three more specific aims of the present thesis we stated the attempt to situate HRM (research), including our own research, within a larger ongoing ethical-epistemological-ontological debate. The two further stated aims were to work out a conceptualization of a potentially influential and ethically defensible understanding of HRM as well as to conduct an explorative empirical test of the developed conceptualization of HRM.

In chapter 2 we took issue with the wideranging debates concerning the larger context of HRM and research on organizations in general. Considering the "dramatic epistemological turmoil" (McKinley and Mone, 1998, p. 169) facing the organizational researcher, we tried not to proceed "blissfully unaware of the post-empiricist philosophical debates" (Willmott, 1997, p. 322). This involved developing an understanding and interpretation of the justifications and implications of the complex epistemological and ontological arguments related to the field of social/organization science. Thus we tried to justify our quantitative empirical-analytic study without falling prey to the accusation of showing no "indication of any engagement with debates that question the assumptions upon which it rests" (ibid., p. 336). We tried to explicate an understanding of the pursuit of (empirical) knowledge according to which one should not expect the "turmoil" to come to an end, the dust to settle, and one correct epistemological point of view to emerge. However, the explicated understanding may in the longer run contribute to settling some of the epistemological-ontological dust and turmoil, i.e. that arising from the fight over universal dualisms, dichotomies and schools of thought. Thus in a sense the explicated view may contribute to the "Entzauberung" of the (social) scientific world.

In arguing for such "Entzauberung" we largely referred to and adopted Rorty's understanding of philosophy and inquiry (sections 2.1 - 2.5). Another recent account of such "Entzauberung" in terms of the end of metaphysics can be found in Wheeler (2000e, 2000f and 2000g). To be a naturalist as suggested by Rorty means that

"[w]hat is lost is everything that makes it possible to draw a philosophically interesting distinction between explanation and understanding, or between explanation and interpretation...The effect is to modulate philosophical debate from a methodologico-ontological key into an ethico-political key...now one is debating what purposes are worth bothering to fulfill, which are more worthwhile than others, rather than which purposes the nature of humanity or of reality obliges us to have" (Inquiry as Recontextualization, 1991, pp. 109-110).

In our interpretation this does not concern only philosophy but also science at large. We thus argued largely with Rorty for the irrelevance for empirical social science of what could be called "philosophy as ornamentations" (Rorty, 1998d, p. 64).

Somewhat disturbed by the arguments within the debate on incommensurability in organization studies, claiming that the fact of incommensurability has serious consequences for "all those who believe in the values of debate, argument and

compromise" (Burrell, 1996, p. 650), we applied the explicated neo-pragmatist understanding to the arguments underlying such claims in section 2.6. Our conclusions were that meta(physical)-level incommensurability is simply ornamental, and that does not yet seem to be any interesting case of theoretical level incommensurability in organization studies, and that there are no overriding arguments concerning the simple plea for a broadly hermeneutical and rational attitude in organization studies.

The explicated view also entailed the contingent nature of methodology (section 2.7). We argued that the epistemological and ontological justification and evaluation of empirical scientific research, including conceptualizations and methodologies, largely should be conducted with reference to prior (ethical-political-pragmatical) "knowledge" and proposed research goals very specific to the field of research in question. We agreed with Rorty who suggests that we move "everything over from epistemology and metaphysics to cultural politics" (1998c, p. 57). According to this understanding the epistemological and ontological debates should ultimately concern the extent to which the results of inquiry (or earlier inquiries) help us cope with reality, i.e. help us successfully act and speak in interaction with each other and nature. The continuous complexity and openness of social scientific research is largely due to the fact that very few types of social inquiries in general have been able to more unequivocally enable us to cope with reality, although there certainly in most fields of social inquiry have been what some scholars conceive of as "exemplary problem solutions" (Hoyningen-Huene, 1993, pp. 159-162). The explicated epistemological-ontological understanding thus leaves us with a complicated and open debate concerning social inquiry, not only because of the ethico-political dimensions of it. An important part of the debate also always concerns the pragmatical "nitty-gritties" in terms of more specific epistemological norms (e.g. related to statistical or interpretational guidelines) by which researchers justify empirical claims to knowledge. At least the statistical norms are relatively independent of their ethico-political aspects.

We ended by arguing in section 2.8 that the question of how organization studies should be understood and conducted, i.e. in a sense the question of "one meaning, many meanings or no meaning at all" (Czarniawska, 1995, p. 21) is an open affair.

Thus in the explicated understanding there is little reason to expect that general philosophical insights would have any immediate and universal, and in particular necessary, consequences for empirical social science. However, inspiration for the development of specific theories and empirical research and a deeper understanding of the complexities of (social) scientific research, as well as philosophy itself, can arguably be sought in professional philosophical reflections. In particular, we agreed with Wallgren (1997) that philosophical reflection can (and should) promote the "Socratic ideal" (ibid., p. 46) understood loosely as the ideal of "discursive accountability" (ibid., p. 129). Facing tremendous complexities and thus both more legitimate needs and less legitimate temptations to simplify, this ideal is arguably a continuous challenge also for the organizational research community<sup>483</sup>.

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<sup>483</sup> Although Wallgren sees a contribution in e.g. the notion of philosophy presented by Deleuze and Guattari (Wallgren, 1997, pp. 177-179), Wallgren himself arguably still holds on to the idea of (public)

After the excursion into the landscapes of philosophy, we continued to reflect both upon possibilities and obstacles concerning research on HRM. We began chapter 3 by briefly considering the history of thinking about employee management and the relationship between HRM and its "ancestor" personnel administration. In chapter 3 we also reflected upon earlier theorizations of HRM's influence. We considered arguments about the more detailed complexity, role and possible mechanisms of HRM's influence, including the debates on the distinction between the universalistic view of HRM (i.e. HRM as "best practice") and the point of view of strategic fit (i.e. the more instrumentalist contingency perspective). On the basis of epistemological, theoretical and ethical considerations we developed a general understanding of these perspectives arguably allowing us to study their compatibility and potential synthesis in terms of what we have called strategic soft HRM. This understanding entailed some specific implications for the operationalization of the HRM system construct. In summary, we argued (in section 8.3.2.3) that our (operationalization of the) HRM system should (1) capture HRM at both the levels of individual practices and the common system, (2) account for variation at the level of implementation, (3) incorporate perceived relevant forms of embeddedness in the management infrastructure including the potential influence of internal/external fit, (4) take into consideration the point of view of employees, (5) and thus capture the levels and dimensions where causality of strategic soft HRM ultimately should reside. Thus, we argue that our HRM system variable should show some, albeit undifferentiated, sensitivity to all the different levels of HRM practices identified by Becker and Gerhardt in terms of system architecture, policy alternatives and practice process (1996, p. 786).

In chapter 4 we considered the currently popular theoretical framework in terms of the resource-based view and concluded that with certain revisions it may function at the most as a suggestive background theory. We argued for the need of much more specific HRM theorizing.

Subsequently, in chapter 5 we considered the fairly intensive debate on ethical aspects of HRM, i.e. the values incorporated in the "HRM" movement. We tried to situate mainstream HRM research, in particular our own conceptualization/study, by acknowledging and reflecting upon many open questions with reference to the nature of HRM and its larger societal context. At the same time as we found many of these debates important, some of the value based critique seemed to be involved in at least similar simplifying rhetorics as the HRM enthusiasts engage in. We argued that our conceptualization of the role of HRM could at least begin to incorporate some of the more specific intra-organizational ethical aspects of HRM.

As an arguably regressive and fairly widely acknowledged development of the (largely global) societal context of HRM, we noted the (renewed) "division of labour" between core employees and lower skilled employees with diminishing legal rights (section 5.1.1). Hancock called the former group a "neo-feudal version of the (male) vassal class" (1997, p. 104). However, this question is, we argued, somewhat although

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discursive accountability as a central aspect of philosophical and any other inquiry. It is however not discursive accountability in any form which depends on foundations but rather on a general and contingent sense of responsibility concerning "how we live our lives with concepts" (ibid., p. 199).

not completely separate from the question of what organizational influences strategic soft HRM might have.

In section 5.2 we argued that the most severe critique of HRM may arise from evidence of what HRM *does* to human beings and societies. Already this is a complicated question but even if it could be agreed upon there are no easy answers basically since there are no easily determinable optimal trade offs in face of probably unavoidable dilemmas such as those identifiable by the theorizings of Marx, Foucault and Weber:

“Just as, for Marx, capital alienates while it produces, organizes life within the workplace and atomizes life in civil society, so, for Foucault, power[knowledge] simultaneously empowers and represses, and, for Weber, rationalization simultaneously increases efficiency and dehumanizes” (Marsden and Townley, 1996, p. 671).

Our general conclusion was that already because of the complicated ethical aspects surrounding HRM there is nothing like a normal scientific language which researchers in HRM can unproblematically adopt (section 5.3).

In chapter 6 we then reviewed earlier empirical studies of HRM's influence and found these to leave many questions open with reference to the conceptual arguments found in the literature. We established the general fragmented nature of this research and the more concrete difficulties in interpreting its results. In particular, we justified a need for empirical studies incorporating the employee perspective and potential mechanisms of HRM's influence.

On the bases of all these considerations we ended up, in chapter 7, with what we argued to be a largely defensible and a priori plausible conceptualization of HRM's potential influence enabling tentative quantitative empirical testing. The general structure of this conceptualization is largely consistent with the one suggested by Guest (1997). In chapter 7 we also developed our explicit hypotheses. This involved reviews of the more specific literature on the different intermediate and ultimate elements of our conceptualization. We defined these elements and tried to justify their potential causal role in the proposed theorization. In sections 7.3-7.5 we also related our conceptualization to some more specific theoretical-methodological complexities and critical arguments.

In chapter 8 we presented the sample for the empirical study. We summarized the reasons for conducting the empirical study with reference to a set of "knowledge intensive" organizations within the consulting industry. In this chapter we also developed the control variables based upon reviews of the partly complex previous literature concerning the outcomes postulated by our model. We presented the measurement instruments and tried to specify the nature of the more complex constructs related to the suggested model. In chapter 8 we also conducted some validation analyses the results of which we interpreted to reflect a more general problem of valid constructs in organization science. Nevertheless, we also argued that the validation analyses indicated a relatively satisfactory validity of our constructs.

In chapter 9 we finally set out to analyze, present and interpret our empirical data with reference to the hypothesized relationships. The empirical findings with reference to the relationships between what we called the HRM sophistication and the intermediate

attitudinal constructs were summarized and discussed in sections 9.3.1 and 9.3.4. The unique relationships between strategic fit and the intermediate attitudes were summarized and discussed in section 9.3.5. Section 9.5 summarized the findings concerning the relationships between HRM, the attitudinal constructs and both employee and organizational performance variables.

Throughout the thesis we have tried to convey the tremendous complexities and many open questions with reference to this empirical research project. Thus we have specifically tried to understand the multitude of "issues of inference ambiguity" (March and Sutton, 1997, p. 704) and to walk the fine and arduous line in terms of balancing "[t]he simultaneous embrace of the possibility of knowledge and the difficulty of achieving it" (ibid, 1997, p. 704).

## 10.2 CONCLUDING DISCUSSION AND FUTURE RESEARCH

In organization studies it is often arguably at least as difficult to find proper empirical evidence for conceptual arguments as it is to develop the arguments themselves, perhaps even more difficult. The main motivation in this thesis has been concerned with the former project. However, this project necessitated an attempt to review and (largely) synthesize current/prior theorizing and empirical research. This turned out to be a very complex project in itself.

We have tried to further theorizing in the field by arguing for some possible causal logics of the relationships between (strategic soft) HRM and organizational performance. We have also tried to test this theorization empirically while at the same time being attentive to the problems on the road to such a test (cf. Guest, 2001). We fully agree with the problem and have essentially answered no to the question of

"whether the theory is sufficiently precise to point to the kind of empirical testing that results in convincing support or refutation" (ibid., p. 1094).

In any case, the suggested model of HRM and its outcomes and the empirical test of it in this thesis appear to incorporate certain crucial elements that have been absent in most earlier research. Our HRM concept is arguably conceptually more sensitive to many of the complex (critical) debates around the phenomenon of HRM. Compared to most prior research the connections in our model are arguably conceptually tighter due to the inclusion of the postulated mechanisms of HRM's influence. Methodologically the connections are more discriminative than much earlier research also in terms of the included control variables. We have also been able to exclude common method errors concerning at least some of our focal theoretical variables. Finally, we have provided some initial statistical tests of the possible indirect effects of HRM.

While having acknowledged and situated many assumptions upon which our empirical-analytic study rests, in the empirical part of this thesis we have thus attempted to test a model which on the whole seems in line with many (implicit and explicit) arguments in the field. In particular, both through the theorization and the choice of sample, we have tried to be sensitive to what has (implicitly or explicitly) been conceived as some "fundamental principles" in the literature. Boxall and Purcell argue that

“When we stand back and consider the broad tradition of research on employment relations, there is no doubt that, *ceteribus paribus*, all firms are better off when they pursue certain principles...The most fundamental principle in labour management is the ongoing need to align management and worker interests in firms, at least at the level of a contract that meets the base-line requirements of both parties...In any context where workers have some labour market choice...this principle becomes more apparent...[W]e can be confident that organizational processes that build trust between management and labour will ultimately deliver better outcomes for both parties...And it is always helpful if management delivers on its promises: any major gap between HR policy and HR practice will eventually demoralize if not antagonize, the workforce” (1999b, p. 192).

The claims made by Boxall and Purcell may be true although “base-line requirements” and “better outcomes” are not particularly precise expressions. Our study has tried to test whether we, while paying attention to certain manifestations of these principles, can find empirical evidence, not only for HRM’s general role in “delivering better outcomes for both parties”, but also for HRM’s claimed central importance for competitive *advantage*, i.e. better organizational performance. The latter is a somewhat different question but arguably the one most often put forward in the HRM discourse.

According to Boxall and Purcell, the above principles imply that

“management must nurture resources and processes that bring about high mutuality with talented workers and must similarly invest in employee and team development” (1999, p. 196).

Our study has tried to be sensitive to this corollary of the above mentioned principles and the arguable fact that what should give rise to such mutuality, if anything in terms of HRM, would seem to be practices which are appreciated by employees. An additional general argument which this study has tried to be sensitive to is that, partly based upon the resource based view, “top management’s codified policy positions are unlikely sources of advantage because of their public visibility” (Boxall and Purcell, 1999, p. 196). They are also unlikely sources of advantage because policies are not enough. They arguably have to be adequately implemented in some such way as discussed in chapter 3.

Thus, our conceptualization and operationalizations have tried to be sensitive to the arguments that, despite the fact that HRM *principles* may be universal, we need to assess the adequacy of the design and implementation of the practices by their *contextual* (idiosyncratic) *adequacy*. This point is also noted by e.g. Wood (1999, p. 378). We consider the fact that the data on the HRM practices were collected from general employees, and that it thus should reflect these employees’ perceptions of the implemented aspects of the practices, as an important methodological element of our study. In comparison to managers responsible for HRM, general employees ought at least to have more limited psychological biases in terms of providing too positive a view of the organizational HRM system where it could be so rationalized due to good organizational performance.

Finally, we have assumed that better outcomes for employees as well as for organizations and thus “mutuality” consist at least of employees’ psychological



empowerment, and/or affective (organizational) value commitment and/or affective (organizational) continuance commitment and/or organizational citizenship behavior.

The results of our analyses are in line with earlier research in so far as we could find evidence for a fairly strong direct relationship between both strategic fit and organizational performance as well as a more universalistic notion of HRM and organizational performance. In general, the results of the present study are in line with Guest's argument that

"[a]s we move on through the remaining stages in the model, we would expect the impact of HRM to be progressively smaller" (Guest, 1997, p. 269).

We have found some indicative evidence of HRM's influence on the above mentioned originally postulated intermediate attitudes and thus on HRM's ability to deliver what we assume to be better outcomes for employees. However, the results indicate that we cannot understand HRM as a clearly sufficient direct cause of the postulated attitudes, with the exception of organizational citizenship behavior. Rather, we found evidence for a possible mediational role of social support related phenomena or what could be called a social architecture of organizations. This appears consistent with Guest (1999).

Nevertheless, the degree to which differences in HRM can explain variation in organizational performance in particular seems still to remain a somewhat speculative hypothesis. These results appear rather consistent with Ramsay et al. (2000). *Despite relatively weak controls for alternative explanations of variation in organizational performance as well as the potentially serious common method errors between HRM sophistication and the intermediate variables as well as the employee and organizational performance variables this study produced only some weakly significant and statistically ambiguous evidence of an explained indirect relationship between HRM sophistication and organizational performance.* This weak evidence should clearly be corroborated in particular with more controls for other influences on organizational performance and less common method errors before too much energy is invested in it.

Our analyses provide some indicative evidence in line with the suspicions that the often reported significant positive relationships between different forms of HRM and organizational performance are best understood as either spurious relations and/or effects of reverse causations. The study indicates that such spurious relations and/or reverse causations may explain at least an overwhelming part of the often found positive correlations between HRM and organizational performance. However, our analyses cannot distinguish between the corroborated direct relation(s) between HRM and organizational performance understood as a result of spurious correlation, as an effect of reverse causation, as due to some unidentified but isolable mechanisms<sup>484</sup>, or as "being a result of emergent powers arising from the combination of other objects but irreducible to their respective powers" (Sayer, 1992, p. 235). In any case, our results indicate a considerable (continued) challenge to HRM researchers in terms of

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<sup>484</sup> Although we were unaware of this at the time of writing this study, an alternative theorization has been presented e.g. in Guest (1999). Also Ferris et al (1998) may offer other possibilities.

finding a theorization/population which would provide evidence for an explained distinctive relationship between HRM and organizational performance. The challenge is to provide convincing evidence of some form of mechanism(s) of HRM as a sufficient cause. Arguably, only by meeting this challenge can researchers convincingly empirically establish HRM as an important cause of superior organizational performance.

Keenoy has argued that “what we see also varies according to where we, quite literally, stand” (Keenoy, 1999, p. 11). However, one purpose of science is arguably to make it more likely that, whereas what we *try* to see might depend on where “we stand”, what we *can continue* to see / where we *can continue* to stand, does not. But of course, in the absence both of a priori solutions to methodological/epistemological problems and “crucial tests” or the possibilities of simple falsifications, pursuing this purpose is not clearcut and straightforward. Nevertheless, this study has mainly served a critical function in that it seems to confirm the need for theoretical and conceptual development. It also renders some of the rhetorics in the field rather suspect. At the same time, the study was arguably able to “exploratively confirm” some of the ideas of current theorizing in particular with reference to some significant lower level outcomes of HRM<sup>485</sup>.

**Limitations of the study.** The explicit results of this study must be taken with considerable caution because of the many uncertainties already discussed throughout this thesis. In summary, perhaps the main uncertainties relate to the sample which may include less than desirable variation in many variables (although arguably in line with much earlier research), the low number of observations per organization, the exploratory measures and potential unaccounted measurement errors, the exploratory constructs and the theorization itself. As already noted, the theorization has been motivated by an effort to take into account at least the basic arguments presented so far among researchers. However, it is liable to all the open questions with reference to the nature of the HRM practices, business strategy, HR strategy, the HRM system and relevant intermediate and ultimate outcomes. It is important to notice the explorative nature of this study. We introduce new conceptualizations and operationalizations of HRM practices, of internal/external fit as well as parts of the whole theoretical framework of the (potential) mechanisms of the (potential) influences of HRM on organizational performance.

An obvious and important limitation of this study was already alluded to, i.e. that there might be other mechanisms (e.g. more industry and/or organization specific mechanisms) than psychological empowerment, affective value commitment and affective continuance commitment, organizational citizenship behavior and/or the general quality/efficiency and/or innovativity of individual employee performance which might account for HRM’s correlation with organizational performance. The results of this study in no way rule out such possibilities. However, one great

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<sup>485</sup> The results of the tentative analyses (not shown in the thesis) where we adjusted for common method errors were not promising with reference to these relationships either. The method we used to adjust for the common method errors, described in section 7.5, would however require more observations per organization than what we had. This is thus only an additional note of caution.

difficulty in theorizing about and testing such mechanisms is the lack of validated intermediate constructs and measurement instruments.

Another reason for caution in interpreting the results of this study is due to the fact that although we by our choice of sample could ameliorate certain methodological problems concerning levels of analysis involved in much earlier research (see section 7.5 above), the data are based on organizations of a fairly small average size. It may be that the real challenge and potential influence of HRM becomes (more) apparent only in larger organizations. Finally, as so often, readers should be reminded of the fact that the empirical study was a cross-sectional one and that any causal conclusions thus are particularly tentative even as we included several mediating as well as control variables.

**Future research.** Researchers should be able to exclude the possibility that there are some exogenous phenomena which might account for any postulated relationships. In the case of research on HRM-firm performance links this may in the last instance imply models of great complexity. But if so, then it seems the only way to go if we are serious about studying the phenomena with any quantitative scientific aspirations. Simplistic quantitative social research misses one of the crucial elements of scientific activity, i.e. that of putting hypotheses to critical tests (Putnam, 1974/1991, pp. 123-127). Thus we agree with Boxall and Purcell, with reference to their critique of much quantitative research on HRM and performance that

“[a]t the end of the day, snap-shot surveys of single respondents which produce sophisticated statistics – but only by glossing over the ...complexity of management processes in firms – have to be treated very circumspectively” (1999b, p. 192).

In fact, such studies arguably represent empirical science only as ornamentation. Continued simplistic quantitative approaches would imply that quantitative research would incorporate little which would positively and much which would negatively differentiate it from “story-telling” (Czarniawska, 1995, 1997, 1999)<sup>486</sup>.

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<sup>486</sup> In line with what we have argued earlier, the difference between careful story-telling based on qualitative data and carefully conducted quantitative research employing validated measurement instruments and adequate control variables is not that only the latter allows us to successfully mirror the objective order of the (social) world (see chapter 2 above). These two broad forms of inquiry simply represent different methods of trying to come to a more general agreement on a fruitful understanding of social phenomena where the quantitative approaches usually more explicitly (and more problematically) aim for empirical findings of a more generalizable nature. With reference to qualitative studies it very seldom happens that independent researchers use the same data as another researcher in order to see if the interpretations/results of the latter can be “replicated”/questioned. Rarely do we even see two or more independent qualitative studies which explicitly try to corroborate the findings of another. Although, as noted earlier, there is much room for improvement, this can at least in principle be more easily done with quantitative approaches. Thus, more straightforward agreement or disagreement is at least in principle somewhat easier achieved by using quantitative research approaches since these approaches more easily allow for independent researchers to carry out the “same” study in the “same” or some other setting. With quantitative hypothetico deductive approaches there is simply somewhat less room for subjective interpretations/ad hoc uses of data and they are easier to expose even if the tested theorizations would not be capable of very longterm predictions. Thus, if possible on the basis of a believed “familiarity” (Rorty, 1980, p. 321) with the research object, quantitative approaches always seem recommendable in order to explore the justification of agreement/disagreement on a certain topic. For some specific topics this is of course not

There are clearly limits to simplifying quantitative models. We have tried to point to such limits both by conceptual arguments and reviews of earlier empirical evidence concerning the elements in our model. There are however also limits to "a reductionist regress" and/or an "interactionist regress" (Sayer, 1992, p. 183). In any case we do agree with Boxall and Purcell, who with reference to the contingency based research on HRM, argue that

"[w]hile we should try to avoid contingency models that are 'too thick' - throwing in everything plus the kitchen sink - we do need to evolve models that explain *most* of the important connections" ( 1999, p. 188).

The problem is to decide upon what is thick enough to convince not to mention the problem that researchers may have inadequate a priori conceptions of "the important connections". In general we do not deny the many problems with quantitative social science discussed e.g. by Sayer (*ibid.*, pp. 175-203). However, in distinction to Sayer we have in this thesis tried to argue more integratively that research should involve both idiographic and quantitative approaches, in so far as it is possible for each and every research topic. We have tried to argue against critiques, such as e.g. Sayer's, that quantitative research "implies" the assumptions of "the universality of closed systems, a regularity theory of causation [at least in any simplistic form; added], an atomistic ontology (theory of what exists) and an equivalence of explanation and prediction" (*ibid.*, p. 199). Nevertheless, we have also acknowledged that quantitative social science at least concerning many of the more complex organizational relationships may be a futile activity simply because of the dynamic complexity of social phenomena.

As is the case in particular with quantitative "snap-shot surveys" (Boxall and Purcell, 1999, p. 192), we argue that also any more idiographic (even longitudinal) studies, perhaps based on interviews on the opinions and/or observations of a lot of stakeholders within and outside organizations (for an example, see e.g. Boxall, 1999a) have to be treated with at least similar circumspection. However we clearly do need more hermeneutical studies such as the latter in order to further our understanding of what people management in fact may accomplish and how such accomplishments might take place. Such hermeneutical studies should also focus on interpretational difficulties that quantitative studies may be argued to give rise to. More hermeneutical studies may e.g. critically (empirically) probe (generalizing) assumptions of quantitative inquiries and thus open up avenues for more sophisticated forms of quantitative research to the extent that it indeed is possible<sup>487</sup>.

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possible. Research on such topics will thus always have a harder time to convince. At the same time narratives of more or less unique historical events or processes difficult to tap with quantitative methods can offer what at least is believed to be much intuitive insight and thus at least provide inspiration and generate discussion. In this sense at least, narratives may be seen as more relevant than most quantitative research efforts. Further, to the extent that several researchers would study and interpret more or less the same unique events/data in more or less the same way, as is arguably at least sometimes the case for example in studies of history, purely idiographic research could also gain considerably in epistemic credibility.

<sup>487</sup> In our opinion, for social scientific studies, including organization and management studies, to be convincing we would thus need both adequate qualitative and quantitative evidence from many independent researchers. The complexity of research on many subjects of social science means (for us)

Based on this study we can fully agree with Boxall and Purcell that in terms of any potentially substantial significance of (some sort of) HRM, detectable among the noise of other relevant influences, considerable theoretical development is still needed. Boxall and Purcell argue that

“Rather than a narrow focus on a limited set of tired constructs from personnel psychology, we need a broad conception of HR strategy which embraces the full implications of work and employment systems. HR strategy must be linked to other key dimensions of management and be understood dynamically” (Boxall and Purcell, 1999, p. 198).

Also Evans argues that “[t]here is increasing agreement that a narrow functional concept of HRM focused on competitive advantage has become stale” (1999, p. 335)<sup>488</sup>. However, we remain sceptical of continued definitions of HRM as including “anything and everything associated with the management of employment relations in the firm” (Boxall and Purcell, 1999, p. 184). This seems to us an effective block towards progress in this field of research. At least conceptions of this “anything and everything” are far from developed to a degree which would enable them to be quantitatively seriously empirically testable. In any case, the development of fruitful models of HRM is no easy task since

“the results of two decades of studies are disappointing. Wright and Sherman (1998) summarize well the reasons: the lack of good theory, inconsistent or unspecified models of fit, the absence of theory on what is ‘strategy’ and ‘HRM’, the inability to develop good constructs or to measure them, inconsistencies in the measurement of performance, temporal influences that mean that the process of ‘matching’ may be too iterative and complex to be captured by crude study and theory” (Evans, 1999, p. 327).

We have acknowledged and reflected upon these problems and nevertheless tried to design a study which would overcome at least some of them. While keeping to a rather narrow definition of the immediate domain of HRM (much in line with earlier research), we have tried to move away from the straightforward “tired constructs from personnel management” and open them up to (loose) interpretations in terms of their “architectural” embeddedness in the organizational (management) infrastructure. What we have thus also tried to do in this study is to use loosely defined measures of HRM practices which in a non-normative way should be sensitive to how organizations deal with at least some aspects of a host of the “dualistic forces” connected to HRM<sup>489</sup>. We have thus tried to test something which approaches a

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that we should keep a general sceptical attitude towards any type of research related to them. In the social sciences the sceptical attitude should be even more prevalent and present than what can be considered appropriate for the scientific enterprise in general (Giddens, 1991, p. 21).

<sup>488</sup> Mueller is critical towards the whole idea of understanding HRM as a sufficient cause and argues that researchers should instead look for evidence of HRM as a necessary condition for relative superior performance (1996, p. 777). This is however a very rigorous condition. At least quantitative research is only suitable for finding evidence for sufficient causes of variation in dependent variables.

<sup>489</sup> Evans argues, largely echoing Legge (1995) and Noon (1992), that HRM confronts dualistic forces in the form of “centralization and decentralization, team-work and individual accountability, the need for change and the need for continuity, long-term vision and short-term performance management” (Evans, 1999, p. 326).

conceptualization closer to the recent arguments within the HRM (related) research community. Despite this we were only somewhat ambiguously able to explain a small part of the apparent direct relation between HRM and organizational performance. The indicative evidence of this direct relationship being explicable (at least in one context) in terms of the influence that HRM sophistication may have on psychological empowerment and this in turn on employee performance in terms of quality/efficiency may be seen as an indication of some promising aspects of the theorization pursued in this thesis. In addition to more straightforward replication studies it would also seem of interest to test (something like) the developed conceptualization and operationalization of the HRM system and the rest of the model in settings less favorable for strategic soft HRM approaches (Legge, 1995a, p. 67).

However, despite some promising results this study mainly raises (and confirms) a number of critical questions for future research. First, as has been noted also in earlier publications, there is a lot of work to do in terms of specifying/validating constructs and measurement instruments. There is also clearly a need of further theorizations and studies on the relations between HRM and intermediate constructs which could explain HRM's organizational influence. It would seem to be of particular interest to try to find better/more relevant intermediate variables tapping the work performance of employees as well as better organizational performance variables than the ones used in this thesis. In the current study these variables are arguably the weakest links both conceptually and operationally.

The current study may also be taken to indicate that it may be more fruitful for future research to postulate models where HRM is understood as a sufficient cause *only* of some *assumed* organizational prerequisites of superior organizational performance rather than either a sufficient or a necessary cause of the latter itself. On this interpretation the current thesis, both in terms of the reviews of earlier conceptual and empirical research as well as in terms of the empirical study itself, would indicate that the research community simply does not seem to manifest the knowledge required for claiming (or even fruitfully studying) organizational performance effects of HRM. In addition, as already alluded to, it may be that any potential influence that HRM nevertheless may have on organizational performance takes such a multitude of routes that isolating any distinct variables will always turn out as insufficient manifestations of such an influence.

"[W]e must always be alert to the possibility of the event being a result of emergent powers arising from the combination of other objects but irreducible to their respective powers; in such cases, the method of causal disaggregation will not work" (Sayer, 1992, p. 235).

**Concluding remarks.** The sad fact seems to be that so many if not most of the more complex specific empirical research attempts which generate some larger interest among researchers in organization science seem to tend to become stale (compare Evans, 1999, p. 335) rather than progress in any more substantial and cumulative fashion. Perhaps this is as it should be. Science can in this way in the long run at least fulfill its critical/questioning function. But the difficulties in achieving corroborated findings in organizational research is at the same time discouraging (compare Putnam, 1974/1991).

When a more specific theme becomes stale in organization science it is usually a combined result of the fact simply that new more “exiting” (more or less) speculative themes emerge, and/or organizational processes have moved on and/or the fact that despite promises and early enthusiasm research has been unable to convincingly (and fairly quickly in a scientific perspective) show evidence which would back up the early enthusiasm. And so the organizational “scientific” dance tends to continue on many of its fronts by everybody (perhaps too fast) abandoning apparently sinking ships. This perhaps concerns in particular research related to such complex questions as organizational performance. As Evans argues, “[t]he field of human resource management needs to proactively get on the edge...” (1999, p. 336). We only have a slight worry about where this edge is going. It almost seems to be so afraid of cutting itself that it is constantly escaping (itself). The more consultancy related research in this field becomes, it may also return to itself by adopting new forms of emperor’s cloths, thus following the principles of “guru theory” laid out by Huczynski (1993). March and Sutton argue that

"Researchers secure compensation and attention as consultants to organizations, as lecturers to organizational audiences, or as authors of popular books on improving organizational performance. These occasions and constituencies provide funding and legitimacy to organizational researchers. They encourage researchers to create and espouse speculations about predicting and controlling organizational performance outcomes. And their enthusiasm for speculation about performance differences seems largely unaffected by a long history of the continuous overturning of old enthusiasms with new ones. In such a climate, it is not overly surprising that organizational researchers become courtiers of the naked emperor" (1997, p. 703).

The reference to “overturning” here should not be understood as anything along the lines of (naive) Popperian falsification because there arguably are no such overturnings even in principle (Putnam, 1974/1991, pp. 123-127). More plausibly overturning should be understood as the historically notorious inability to provide convincing evidence for such enthusiasms and, based on this, abandonment of old ideas. Notwithstanding the fact that there might often be good reasons for such abandonings, it is difficult to determine whether the “dance” may not also be enhanced by the lack of commitment to certain basic “enthusiasms” (Kuhn, 1991, p. 144; see the concluding section in chapter 5 above) and/or the “collective preoccupation with theoretical novelty” (DiMaggio, 1995, p. 393). In any case, HRM theorizing seems forced to develop and in certain senses “get on the edge” and maybe reduce its ambitions with reference to the *explanandums*. It is however quite plausible that any more or less cumulative stream of empirical quantitative research in social science, including HRM research (even with reduced ambitions), will always ultimately have to surrender to the pure (dynamic) complexity of social phenomena and/or the lack of (temporally extended) valid constructs necessary for more holistic quantitative (corroborative) research.

Organization science, as perhaps most of social science, seems "in fact" to be best equipped for either providing temporally and spatially fairly limited descriptive rather than explanatory evidence and/or making interesting but fairly abstract arguments based directly upon conceptual reflection/reasoning/experience/intuition only. The latter arguments are of a kind which are not very likely to lead to any general evidence based explanations but rather function as focusing attention, providing

inspiration and generating further research and discussion. Excellent examples of such reasoning would perhaps be the arguments for a dilemma between exploitation (efficiency) and exploration (adaptiveness) (March, 1994, pp. 51-55). Another could be the problem of differentiation and integration (Lawrence and Lorsch, 1967). The above mentioned "fact" can perhaps be understood as a partial cause of one of the dangers for organizational science identified by March and Sutton as "the terrors of claiming unjustifiable knowledge" (1997, p. 704). However, it may not be "terror" but rather the sheer difficulty of arriving at justified and fruitful knowledge backed up by convincing empirical evidence which "drives [many organizational scholars] from empirical discourse into the relatively safe activities of providing theorems, contemplating conundrums and writing poetry" (ibid., p. 704). In line with this, Snell et al. argue that

"[p]roviding a blueprint for integrative [organizational] research is a far less difficult task than dealing with the operational and logistical hurdles that such an area of investigation inevitably involves" (1996, p. 84).

In any case, it is evident that the "full" complexity of phenomena are impossible to take into consideration in organization (or any other) science. Therefore researchers always confront a need to argue for a legitimate reduction of this complexity. Such arguments are difficult and particularly difficult in social science. They are arguably always ethical-political-pragmatical.

We have tried to explicate an understanding according to which any results of such reductions should not be viewed as necessarily "illusory" or as "only constructed". The use of the word 'mythology' seems to take e.g. Edwards close to the latter kind of view:

"[R]epresentation, or fact-stating is dependent upon...the mythology of a culture [which is] taken for granted. However much the descriptions of a cultures mythology may appear to be representational, i.e. to be testable empirical propositions, they are not" (1985, pp. 176-177).

As explicated in chapter 2, we agree with the claim that fact-stating is dependent on many things which have to be taken for granted while stating facts. In fact, a central aim of this thesis has been not only to claim and argue for this at an abstract level but also to *show* it more explicitly. However, we agree with Edwards on the claim about testability only to the extent that he, in the above citation, refers to unproblematically testable propositions, i.e. testable by an objective correspondence. In distinction to reaching such correspondence it is arguably always the case that

"[g]iving grounds,...justifying the evidence, comes to an end; - but the end is not certain propositions striking us immediately as true, i.e., it is not a kind of *seeing* on our part; it is our *acting* which lies at the bottom of the language game" (Wittgenstein, 1953, sec. 204)<sup>490</sup>.

Whatever lies at "the bottom" of a language game (or regardless of whether there is such a bottom), as empirical research on HRM-performance links indicate,

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<sup>490</sup> In fact, it may however be argued that Wittgenstein was not able to exclude the possibility that something lies at the "bottom" of our acting...



propositions about (causal) relations between social actions/phenomena even *within* a language game more or less "taken for granted" are hardly in a position to simply "strike us as true". This is the case even if we understand 'true' (only) in the sense of any such propositions being scientifically justified, i.e. scientifically recommendable or endorsable (Rorty, 1991h, p. 128) and even after considerable attempts to justify them. In this perspective then, future research cannot but continuously try to face the challenge to simultaneously "embrace...the possibility of knowledge and the difficulty of achieving it" (March and Sutton, 1997, p. 704).

We have, with Rorty, tried to suggest that we should drop the whole issue of representation and instead look at language and scientific theories as tools either "for acting" or "for understanding". Clearly, any kind of "*acting*" within a language game, may always be of importance even if convincing scientific empirical evidence for the fruitfulness of it has not been produced. For all we know, such acting, in the form of *some sort of* HRM just as in the form of *some sort of* organization science may belong to what March and Sutton call "vital elements of community" (1997, p. 704) sustained by something else than such evidence.

In any case, what forms HRM (research) ought to take seems to remain an open question due to a number of ethical, political and pragmatistical reasons discussed throughout this thesis. We conclude that even if it may not be true that "[t]o explain [HRM] is to destroy it" (Keenoy and Anthony, 1992, p. 238), claims about organizational performance consequences of HRM largely seem, so far at least, to be more dependent "on faith" (Noon, 1992, p. 27) than anything else.

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SWEDISH SCHOOL OF ECONOMICS AND  
BUSINESS ADMINISTRATION

### SUPERIOR'S QUESTIONNAIRE

**Remember, your responses will be kept absolutely confidential.  
No information about your personal responses will be revealed  
to your subordinates, other colleagues or outside parties !**

In case you would have any problems in answering any one of the questions, I  
would greatly appreciate it if you would call me (Mats Ehrnrooth) at ("out of your  
country"+) 358 400 456 940.

Your name: \_\_\_\_\_

Your company: \_\_\_\_\_

**The first section of this questionnaire concerns  
your evaluation of the performance of the three  
consultants you have chosen to participate in  
this research project. I need at least e.g. a first name in  
order to match these evaluations with the answers by the  
individual consultants.**

First consultant's name: \_\_\_\_\_

The above named consultant

- often comes up with innovative suggestions  
for improving your company's products and  
services
- is very efficient in his/her work
- always produces high quality work
- is very innovative in producing solutions to  
clients' problems
- always meets or beats deadlines for  
completing work
- performs his/her duties with unusually few  
errors
- often comes up with innovative solutions to  
general organizational problems
- never receives customer complaints of  
his/her work

Using the scale listed below,  
please indicate, by circling a  
number, the extent to which you  
DO NOT AGREE AT ALL (1) or  
STRONGLY AGREE (7)  
with how each statement describes  
the employee whose name is listed  
above

Do not  
agree at all

Strongly  
Agree

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

Second consultant's name: \_\_\_\_\_

The above named consultant

- often comes up with innovative suggestions for improving your company's products and services
- is very efficient in his/her work
- always produces high quality work
- is very innovative in producing solutions to clients' problems
- always meets or beats deadlines for completing work
- performs his/her duties with unusually few errors
- often comes up with innovative solutions to general organizational problems
- never receives customer complaints of his/her work

Do not agree at all						Strongly Agree	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	

Third consultant's name: \_\_\_\_\_

The above named consultant

- often comes up with innovative suggestions for improving your company's products and services
- is very efficient in his/her work
- always produces high quality work
- is very innovative in producing solutions to clients' problems
- always meets or beats deadlines for completing work
- performs his/her duties with unusually few errors
- often comes up with innovative solutions to general organizational problems
- never receives customer complaints of his/her work



1. Think about the kind of employee behavior, competences and attitudes the company considers important for the achievement of its **strategic** business goals. The following practices in your company **support** these kinds of employee characteristics:

- The **kind** of training and development programs the company provides consultants
- The way the company **involves** its consultants in more general planning and decision making concerning internal company issues
- The **criteria** for determining the consultant's bonus pay (or other additions to their base pay)
- The **content** of the consultants' selection processes
- The way the company allows its consultants **autonomy** in doing their job
- The **content** of the consultants' performance appraisals
- The **content** of company internal communication and information sharing
- The **content** of the consultants' socialization processes at the beginning of their employments

**The following does NOT concern the individual employees anymore.**

Do not  
agree at all

Strongly  
Agree

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

Do not  
agree at all

Strongly  
Agree

1 2 3 4 5 6 7

2. Think about the above mentioned practices as they are implemented in your company. They are well integrated in that they **coherently** support **each other**

3. To your knowledge, the above mentioned practices in your company have been **intentionally** developed to **support** company **strategy**

1 2 3 4 5 6 7

4. To your knowledge, the above mentioned practices in your company have been **intentionally** developed to **re-enforce each other** in a **coherent way**

1 2 3 4 5 6 7

5. Your company has during at least 5 years had one or more HRM professionals, within or outside this company unit, who:
  - exhibit leadership for the HR function and corporation
  - define and communicates HR vision for the future
  - educate and influences superiors of core employees on HR issues
  - have broad knowledge of many HR practices
  - are knowledgeable about competitors' HR practices
  - focus on the quality of HR services
  - have experience in key business areas which your company is involved in
6. In your consulting market, your company's **reputation for quality** surpasses major competitors
7. In your consulting market, your company's **reputation for innovation** surpasses major competitors
8. Your company offers **lower priced** consulting products and services compared to your competitors
9. On the whole, your consulting company operates in very competitive market segments
10. During the last two years your consulting company's (if national subsidiary, then that unit) **profitability** has been **excellent**
11. During the last two years your consulting company's (if national subsidiary, then that unit) **customers** have in general been **very satisfied**
12. During the last two years **many good consultants** have **voluntarily left** your company (if national subsidiary, then that unit) to join other employers
13. During the last two years your consulting company (if national subsidiary, then that unit) has **exceeded its performance objectives**

14. Number of consultants in the consulting company (if national subsidiary, then that unit): \_\_\_\_\_

15. Number of total staff in the consulting company (if national subsidiary, then that unit): \_\_\_\_\_

16. **During at least five years** your company has made continuous efforts to **sustain or develop** the quality of:

- the **criteria** for determining consultants' bonus pay (or other additions to their base pay)
- the way it allows consultants **autonomy** in doing their job
- the **training and development** programs it provides consultants
- its **socialization process** for new consultants
- its **internal communication and information sharing**
- the **performance appraisals** for consultants
- the way it **involves** consultants in general planning and decision making concerning **internal** company issues
- its **selection process** for consultants

Do not agree at all					Strongly Agree		
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	

**Thank You Very Much for Contributing to our Business Research !**

**Please return this questionnaire directly to us in the attached prepaid envelope!**

**Would you like to receive a report on the results of this study: YES NO**

SWEDISH SCHOOL OF ECONOMICS AND  
BUSINESS ADMINISTRATION

**CONSULTANT'S QUESTIONNAIRE**

**Remember, your responses will be kept absolutely confidential. No information about your personal responses will be revealed to your superiors, colleagues or outside parties !**

All answers should be based on your own judgement.

**Please return this questionnaire directly to us in the attached prepaid envelope!**  
In case you would have any problems in answering any one of the questions, I would greatly appreciate it if you would call Mats Ehrnrooth at ("out of your country"+) 358 400 456 940.

1. Name of company: \_\_\_\_\_(throughout the questionnaire, "company" should refer to the national subsidiary if you work for a multinational company)
2. Your name: \_\_\_\_\_(I need at least e.g. a first name in order to match your answers with some of the answers by your superior. Your name will not show up anywhere!)
3. Your age: \_\_\_\_\_years
4. Your gender: 1 male      2 female
5. Number of earlier employers: \_\_\_\_\_(do not include "summer jobs")
6. You have been employed by this company \_\_\_\_\_years
7. Your selection<sup>1</sup> process included a **great variety** of selection techniques (such as interviews with many persons, references, work simulation, personality tests, problem solving, etc)
8. Your selection process was of **high quality**
9. Compared to your colleagues, you think your level of pay is fair
10. You have considerable opportunity for independence and freedom in how you do your job
11. The organization tries to make your job as interesting as possible
12. **Many** dimensions of your work situation at the company are discussed during your performance appraisals<sup>2</sup> (dimensions such as feedback, goalsetting, training and development needs, career prospects etc)
13. You defend the organization when other employees criticize it
14. You receive good support from your colleagues when things get complicated

Using the scale listed below, please indicate, by circling a number, the extent to which you  
**DO NOT AGREE AT ALL (1) or STRONGLY AGREE (7)**  
with how each statement describes your experience at the company.

Do not  
agree at all

Strongly  
Agree

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

1   2   3   4   5   6   7

	Do not agree at all							Strongly Agree						
15. During the <b>last year</b> the company has <b>radically</b> improved its pay policy in a way which affects you	1	2	3	4	5	6	7							
16. Compared to your colleagues, you consider your work load to be quite fair	1	2	3	4	5	6	7							
17. You are allowed to challenge or appeal job decisions made by your superiors	1	2	3	4	5	6	7							
18. Too big demands are put on your performance at work	1	2	3	4	5	6	7							
19. Among professionals in your field of business, the image of your company is superior compared to competitors	1	2	3	4	5	6	7							
20. The prospects for your company's successful performance are very good	1	2	3	4	5	6	7							
21. Your personality has been of <b>high relevance</b> for your ability to work and function effectively within the company	1	2	3	4	5	6	7							
22. During a socialization <sup>3</sup> process at the beginning of your employment you were given <b>a lot</b> of information about the company, its history and its employees	1	2	3	4	5	6	7							
23. Your individual work performance has a <b>significant</b> direct influence on your level of pay	1	2	3	4	5	6	7							
24. Differences in hierarchy per se among consultants (excluding partners) have <b>a large impact</b> on their level of pay and other benefits	1	2	3	4	5	6	7							
25. You often motivate others in the company to express their ideas and opinions	1	2	3	4	5	6	7							
26. During the <b>last year</b> the company has <b>radically</b> improved its performance appraisals in a way which affects you	1	2	3	4	5	6	7							
27. During the <b>last year</b> the company has <b>radically</b> improved its policy on employment security in a way which affects you	1	2	3	4	5	6	7							
28. You are quite proud to tell people that you work for this organization	1	2	3	4	5	6	7							
29. Compared to your colleagues, overall the (monetary and non-monetary) rewards you receive are quite fair	1	2	3	4	5	6	7							
30. Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of involving employees in general planning and decision making concerning <b>internal</b> company issues	1	2	3	4	5	6	7							
31. The training and development programs the company has provided you are <b>very meaningful</b> to you	1	2	3	4	5	6	7							

	Do not agree at all					Strongly Agree	
32. The company considers human resource management to be of strategic importance	1	2	3	4	5	6	7
33. The organization is willing to help you when you need a personal favor	1	2	3	4	5	6	7
34. When decisions are made about your job, your superiors are sensitive to your personal needs	1	2	3	4	5	6	7
35. The company's top management is actively involved in emphasizing the importance of human resource management	1	2	3	4	5	6	7
36. You often have difficulties to cooperate with your colleagues on projects	1	2	3	4	5	6	7
37. You emphasize to people outside the organization the positive aspects of working for the organization	1	2	3	4	5	6	7
38. Your impact on what happens in your department is large	1	2	3	4	5	6	7
39. During the last year you have been offered another equally good or better job position at another organization	1	2	3	4	5	6	7
40. During the <b>last year</b> your employer has <b>radically</b> improved the way it <b>involves</b> you in general planning and decision making concerning <b>internal</b> company issues	1	2	3	4	5	6	7
41. You have significant autonomy in determining how you do your job	1	2	3	4	5	6	7
42. During several years the company has <b>emphasized the importance</b> of continuous training and development	1	2	3	4	5	6	7
43. You never complain about changes in the organization	1	2	3	4	5	6	7
44. It often happens that you have to work under great time pressure	1	2	3	4	5	6	7
45. The organization disregards your best interests when it makes decisions that affect you	1	2	3	4	5	6	7
46. Your average level of pay is very satisfactory	1	2	3	4	5	6	7
47. You sometimes feel like leaving this employment for good	1	2	3	4	5	6	7
48. The organization takes pride in your accomplishments at work	1	2	3	4	5	6	7
49. Your possibilities to receive a similar or better job position at another organization are very good	1	2	3	4	5	6	7
50. You have significant influence over what happens in your department	1	2	3	4	5	6	7

	Do not agree at all					Strongly Agree	
51. Compared to your colleagues, you feel that your job responsibilities are fair	1	2	3	4	5	6	7
52. For issues that may have serious consequences for the company, you express your opinion honestly even when others may disagree	1	2	3	4	5	6	7
53. The organization would understand a long absence due to your illness	1	2	3	4	5	6	7
54. If you decide to quit, the organization would try to persuade you to stay	1	2	3	4	5	6	7
55. Your employer <b>involves</b> you in a <b>large amount</b> of general planning and decision making concerning <b>internal</b> company issues	1	2	3	4	5	6	7
56. You encourage others to try new and more effective ways of doing their job	1	2	3	4	5	6	7
57. You often have too much to do at work	1	2	3	4	5	6	7
58. The company has well communicated and well understood principles which describe its attitude to employee management	1	2	3	4	5	6	7
59. The organization would fail to understand your absence due to a personal problem	1	2	3	4	5	6	7
60. You avoid extra duties and responsibilities at work	1	2	3	4	5	6	7
61. The training and development programs the company has provided you are of <b>high quality</b>	1	2	3	4	5	6	7
62. During the <b>last year</b> the company has <b>radically</b> improved the way it allows you autonomy in doing your job	1	2	3	4	5	6	7
63. The company puts great emphasis on <b>developing</b> consultants	1	2	3	4	5	6	7
64. You frequently make creative suggestions to co-workers	1	2	3	4	5	6	7
65. During several years the company has continued to <b>emphasize the importance</b> of allowing you autonomy in doing your job	1	2	3	4	5	6	7
66. The company has provided you with a <b>large amount</b> of training and development programs	1	2	3	4	5	6	7
67. The general benefits and services offered to you are of <b>high quality</b>	1	2	3	4	5	6	7
68. At the beginning of your employment your employer <b>made very clear</b> to you specific company <b>objectives</b> of the selection process	1	2	3	4	5	6	7

	Do not agree at all					Strongly Agree	
69.You have a great trust in the commitment of the organization to continuously invest in developing your knowledge and skills	1	2	3	4	5	6	7
70.You are always willing to listen to co-workers' problems and worries	1	2	3	4	5	6	7
71.You feel physically exhausted after a days work	1	2	3	4	5	6	7
72.You consider your employment security at the company to be <b>very high</b>	1	2	3	4	5	6	7
73.You go out of your way to help co-workers with work-related problems	1	2	3	4	5	6	7
74.Job decisions are made by your superiors in an unbiased manner	1	2	3	4	5	6	7
75.During the <b>last year</b> the company has <b>radically</b> improved its internal communication and information sharing in a way which affects you	1	2	3	4	5	6	7
76.In your work you like to feel you are making some effort not just for yourself but for the organization as well	1	2	3	4	5	6	7
77.You enjoy working with your colleagues	1	2	3	4	5	6	7
78>Your job design allows for great autonomy and responsibility for you in deciding how you do your job	1	2	3	4	5	6	7
79.The autonomy the company currently allows you in doing your job is <b>very meaningful</b> for you	1	2	3	4	5	6	7
80.It would take only a small decrease in your performance for the organization to want to replace you	1	2	3	4	5	6	7
81.If the organization could hire someone to replace you at a lower salary it would do so	1	2	3	4	5	6	7
82.You receive a <b>large amount</b> of information through company internal communication and information sharing	1	2	3	4	5	6	7
83>Your superiors make sure that all employee concerns are heard before job decisions are made	1	2	3	4	5	6	7
84.The organization would forgive an honest mistake on your part	1	2	3	4	5	6	7
85.You feel yourself to be part of the organization	1	2	3	4	5	6	7
86.You make considerable efforts to keep well informed on matters where your opinion might benefit the organization	1	2	3	4	5	6	7
87.Even if your organization were not doing too well financially, you would be reluctant to change to another employer	1	2	3	4	5	6	7



	Do not agree at all					Strongly Agree	
88.The organization cares about your opinions	1	2	3	4	5	6	7
89.Your job activities are personally important to you	1	2	3	4	5	6	7
90.During several years the company has continued to <b>emphasize the importance</b> of company internal communication and information sharing	1	2	3	4	5	6	7
91.You encourage hesitant or quiet co-workers to voice their opinions when they otherwise might not speak-up	1	2	3	4	5	6	7
92.You are confident about your ability to do your job	1	2	3	4	5	6	7
93.Your superiors give you enough personal support	1	2	3	4	5	6	7
94.During several years the company has continued to <b>emphasize the importance of the criteria</b> for determining your bonus pay (or other additions to your base pay)	1	2	3	4	5	6	7
95.The company has an <b>explicitly communicated intention</b> to employ a highly motivated and competent core workforce	1	2	3	4	5	6	7
96.The company philosophy embodies a <b>strong belief</b> that it is the competence and motivation of the employees which gives competitive advantage	1	2	3	4	5	6	7
97.During the <b>last year</b> the company has <b>radically</b> improved its training and development policy in a way which affects you	1	2	3	4	5	6	7
98.The work performance of your team or your department has a <b>significant</b> direct influence on your level of pay	1	2	3	4	5	6	7
99.At the beginning of your employment your employer <b>made very clear</b> to you specific company <b>objectives</b> of its socialization process	1	2	3	4	5	6	7
100.The company offers you a <b>large amount</b> of general benefits and services	1	2	3	4	5	6	7
101.Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of its reward system	1	2	3	4	5	6	7
102.During several years your employer has continued to <b>emphasize the importance of involving</b> you in general planning and decision making concerning <b>internal</b> company issues	1	2	3	4	5	6	7
103.The organization strongly considers your goals and values	1	2	3	4	5	6	7
104.The performance of the company has a <b>significant</b> direct influence on your level of pay	1	2	3	4	5	6	7

	Do not agree at all					Strongly Agree	
105. Your superiors offer adequate justification for decisions made about your job	1	2	3	4	5	6	7
106. Your superiors support you in your job in a constructive way	1	2	3	4	5	6	7
107. During the <b>last year</b> the company has <b>radically</b> improved its policy on general benefits and services in a way which affects you	1	2	3	4	5	6	7
108. Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of its performance appraisal process	1	2	3	4	5	6	7
109. Your superiors show great understanding for and considers your requests, needs and conditions	1	2	3	4	5	6	7
110. Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of its training and development policy	1	2	3	4	5	6	7
111. The customer image of your company is superior compared to competitors	1	2	3	4	5	6	7
112. The image of your company among professionals in your field of business is to a large extent due to its superior people management	1	2	3	4	5	6	7
113. The general benefits and services the company currently provides you are <b>very meaningful</b> to you	1	2	3	4	5	6	7
114. Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of its internal communication and information sharing policy	1	2	3	4	5	6	7
115. During several years the company has continued to <b>emphasize the importance</b> of the selection process	1	2	3	4	5	6	7
116. You defend the organization when outsiders criticize it	1	2	3	4	5	6	7
117. There are many attractive job positions which you could <b>seriously</b> apply for at other organizations	1	2	3	4	5	6	7
118. Your acquisition of additional competencies through training and development programs has a <b>significant</b> direct influence on your level of pay	1	2	3	4	5	6	7
119. To know that your own work had made a contribution to the good of your organization would please you	1	2	3	4	5	6	7
120. The organization cares about your general satisfaction at work	1	2	3	4	5	6	7

	Do not agree at all					Strongly Agree	
121.The way your employer currently <b>involves</b> you in general planning and decision making concerning <b>internal</b> company issues is <b>very meaningful</b> to you	1	2	3	4	5	6	7
122.During several years the company has continued to <b>emphasize the importance</b> of the socialization process for new employees	1	2	3	4	5	6	7
123.The professional workgroups to which you belong perform effectively	1	2	3	4	5	6	7
124.Your employer has <b>made very clear</b> to you specific company <b>objectives</b> of the way the company allows employees autonomy in doing their job	1	2	3	4	5	6	7
125. <b>The criteria</b> by which your bonus pay (or other additions to your base pay) is currently determined at the company are <b>very meaningful</b> for you	1	2	3	4	5	6	7
126.You can talk to your superiors when you have difficulties at work	1	2	3	4	5	6	7
127.Your performance appraisals are of <b>high quality</b>	1	2	3	4	5	6	7
128.You are self-assured about your capabilities to perform your work activities	1	2	3	4	5	6	7
129.Your socialization process at the beginning of your employment was of <b>high quality</b>	1	2	3	4	5	6	7
130.The employment security the company currently provides you is <b>very meaningful</b> for you	1	2	3	4	5	6	7
131.The information you currently receive through company internal communication and information sharing is of <b>high relevance</b> for you	1	2	3	4	5	6	7
132.You have good chances to become a partner in the organization	1	2	3	4	5	6	7
133.Your socialization process at the beginning of your employment was <b>very relevant</b> in enabling you to get to know the company, its values and norms as well as its core people	1	2	3	4	5	6	7
134. <b>The criteria</b> by which your bonus pay (or other additions to your base pay) is determined are <b>very clearly designed and followed in practice</b>	1	2	3	4	5	6	7
135.Your specific competencies acquired before your current employment have been of <b>high relevance</b> for your ability to work and function effectively within the company	1	2	3	4	5	6	7

136.The company <b>seriously</b> aims to create and sustain good cooperation and teamwork	Do not agree at all							Strongly Agree	
	1	2	3	4	5	6	7		
137.Think about your company's <b>general</b> attitude to employee management, the kind of employee <b>behavior</b> , <b>competence</b> and <b>attitudes</b> the company demands or desires of you. Please indicate <u>the degree to which the following practices support this approach.</u>	Does not support at all							Strongly supports	
	1	2	3	4	5	6	7		
• The <b>quality</b> of training and development programs the company provides you	1	2	3	4	5	6	7		
• The way the company <b>involves</b> you in general planning and decision making concerning <b>internal</b> company issues	1	2	3	4	5	6	7		
• The <b>quality</b> of the <b>criteria</b> for determining your bonus pay (or other additions to your base pay)	1	2	3	4	5	6	7		
• The <b>quality</b> of your selection process	1	2	3	4	5	6	7		
• The way the company allows you <b>autonomy</b> in doing your job	1	2	3	4	5	6	7		
• The <b>quality</b> of your performance appraisals	1	2	3	4	5	6	7		
• The <b>quality</b> of company internal communication and information sharing	1	2	3	4	5	6	7		
• The <b>quality</b> of your socialization process at the beginning of your employment	1	2	3	4	5	6	7		
138.You frequently communicate to co-workers suggestions on how the group can improve	Do not agree at all							Strongly Agree	
	1	2	3	4	5	6	7		
139.Your current performance appraisals at the company are <b>very meaningful</b> to you	1	2	3	4	5	6	7		
140.You voluntarily help new employees settle into the job	1	2	3	4	5	6	7		
141.The information you receive through company internal communication and information sharing is of <b>high quality</b>	1	2	3	4	5	6	7		
142.Help is available from the organization when you have a problem	1	2	3	4	5	6	7		
143.Your company <b>seriously</b> tries to encourage and facilitate autonomous and responsible employee behavior, not regulate it with detailed company rules	1	2	3	4	5	6	7		

	Do not agree at all					Strongly Agree	
144. During several years the company has continued to <b>emphasize the importance</b> of the performance appraisals	1	2	3	4	5	6	7
145. You and your colleagues help each other and support one another	1	2	3	4	5	6	7
146. During the <b>last year</b> the company has <b>radically</b> reduced the degree to which the level of pay and other benefits among consultants (excluding partners) depend on hierarchical position	1	2	3	4	5	6	7
147. The general planning and decision making concerning <b>internal</b> company issues which your employer <b>involves</b> you in is generally <b>very important</b> for the company	1	2	3	4	5	6	7
148. It is difficult to get information from your superiors about issues which are important for doing your job	1	2	3	4	5	6	7
149. When decisions are made about your job, your superiors treat you with respect and dignity	1	2	3	4	5	6	7
150. The work you do is very meaningful to you	1	2	3	4	5	6	7
151. Your superiors clarify decisions and provide additional information when requested by you	1	2	3	4	5	6	7
152. During the last two years, your company's <b>customers</b> have in general been <b>very satisfied</b> with your company's services	1	2	3	4	5	6	7

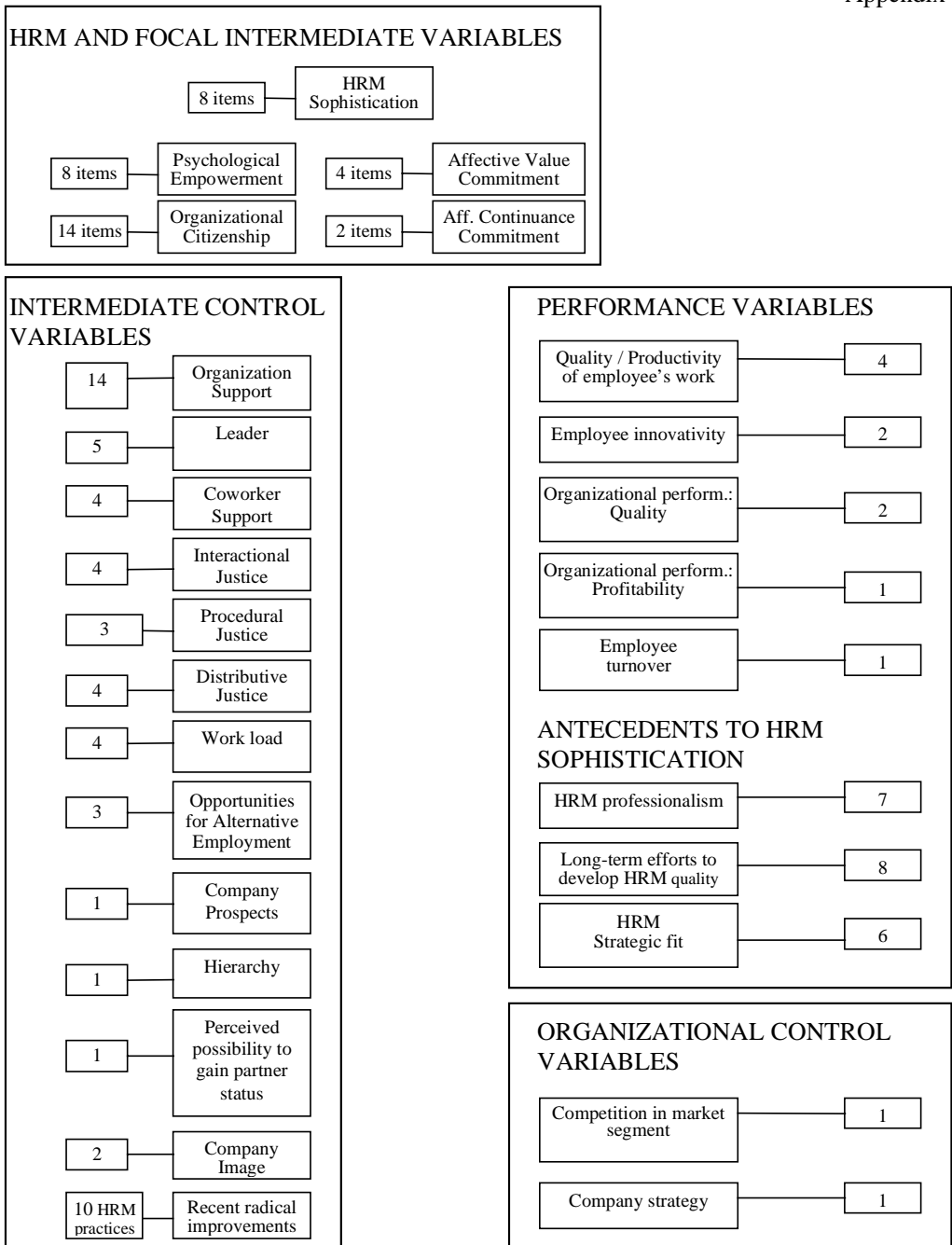
**Thank You Very Much for Contributing to our Business Research !**

**Please return this questionnaire directly to us in the attached prepaid envelope!**

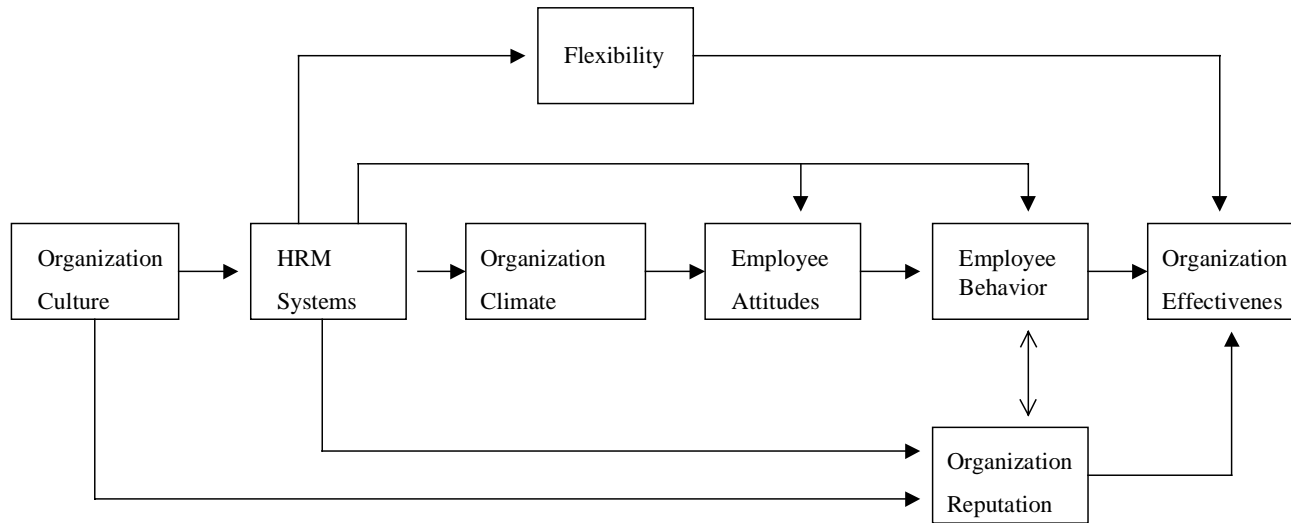
<sup>1</sup> **By selection process we mean** the process by which the company chose you for employment.

<sup>2</sup> **By performance appraisals we mean** formal personal discussions you have once, twice or three (etc) times a year with your superior or someone else in the company concerning your performance and/or development needs etc. In case you do not have such formal meetings, please indicate the degree to which you have such informal discussions (and where asked, their quality, meaningfulness etc).

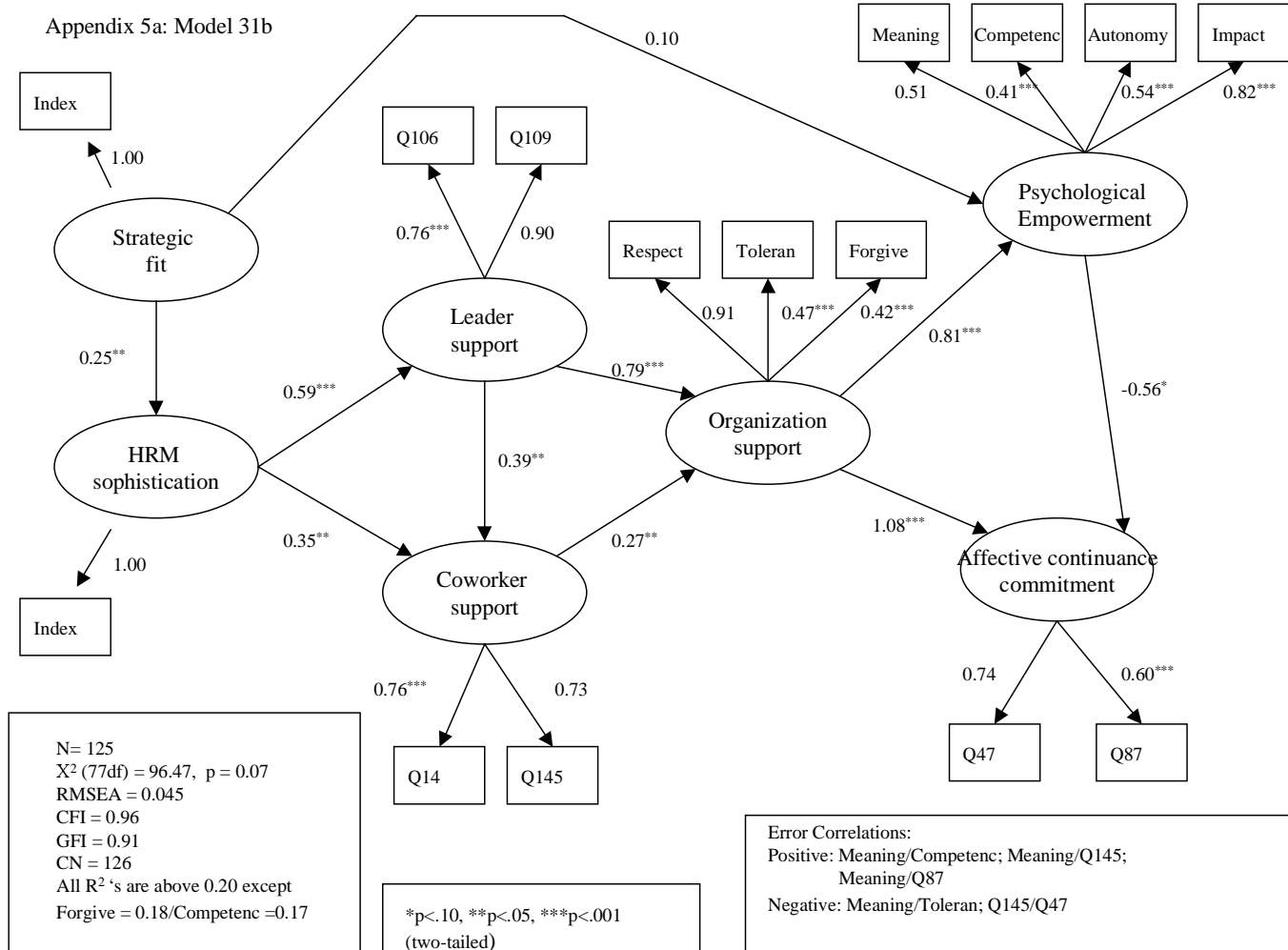
<sup>3</sup> **By socialization process we mean** the way, at the beginning of your employment, you were introduced to the company, its values, norms, its history, its employees etc.



General schema of perceptual variables and items used in this study. *All left side items measured by perceptions of core employees, all right side items measured by perceptions of superiors.* The schema does not include the "non-perceptual" items of **employee age, tenure, number of earlier employees** and **organizations size**. Including the latter, the number of variables is 32 compared to 34 in the correlation table (Table 25b). The difference is due to the fact that we, based on the validation analyses, divided in two the constructs of 'Opportunities for alternative Employment' and 'Work load'.

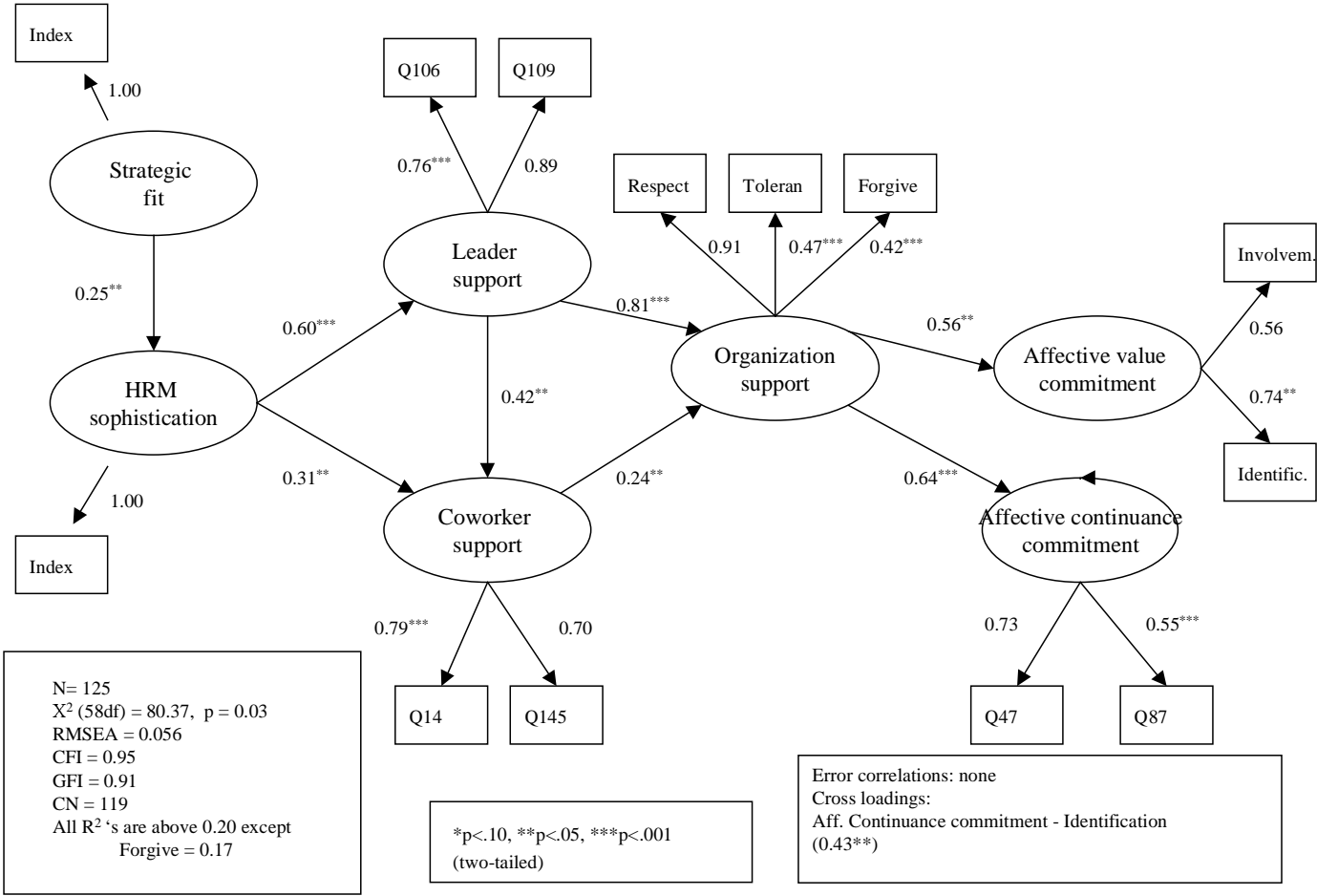


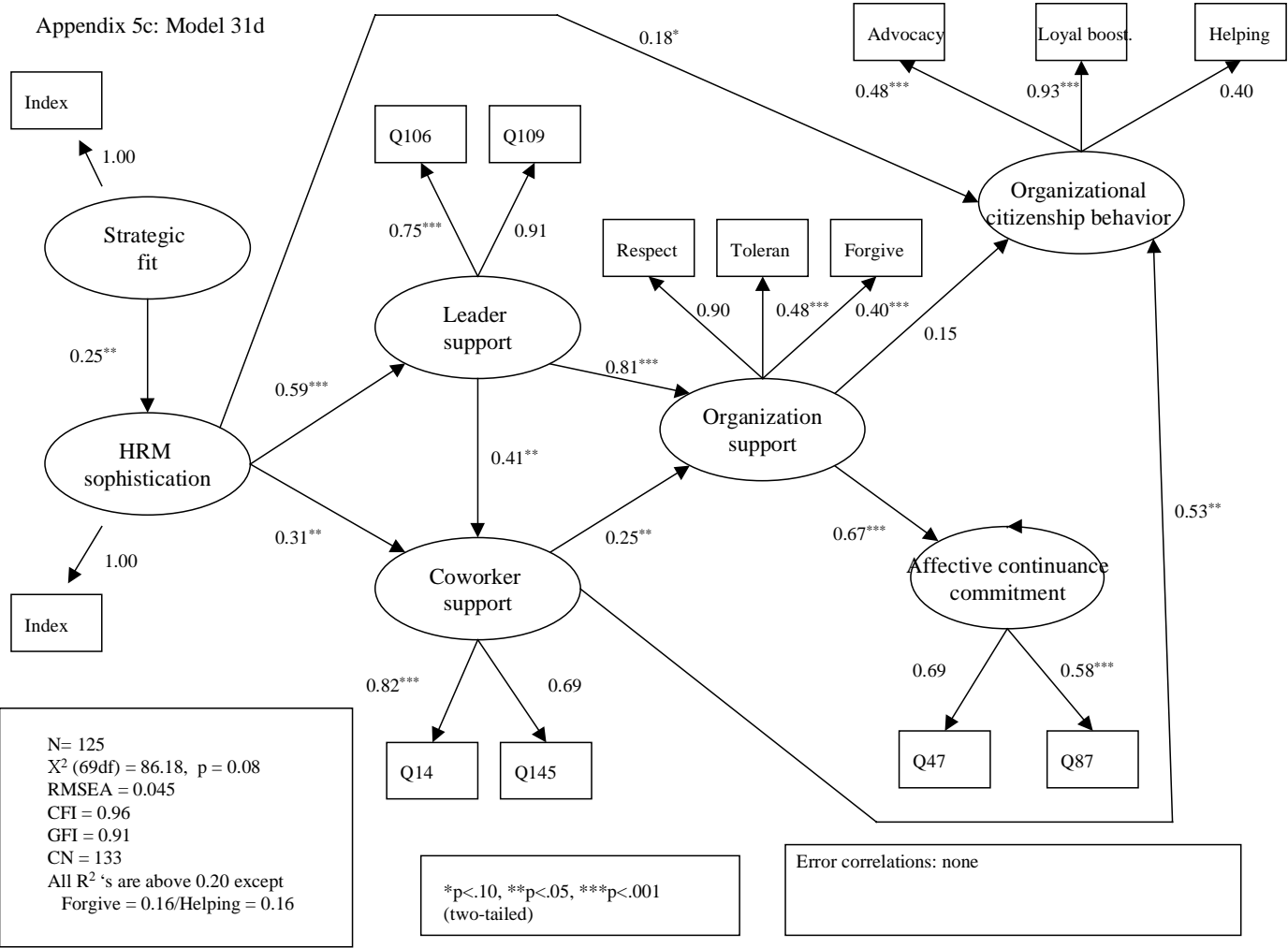
Appendix 4. Ferris et al.'s (1998, p. 238) Social Context Model of the HRM-Organization Effectiveness Relationships.



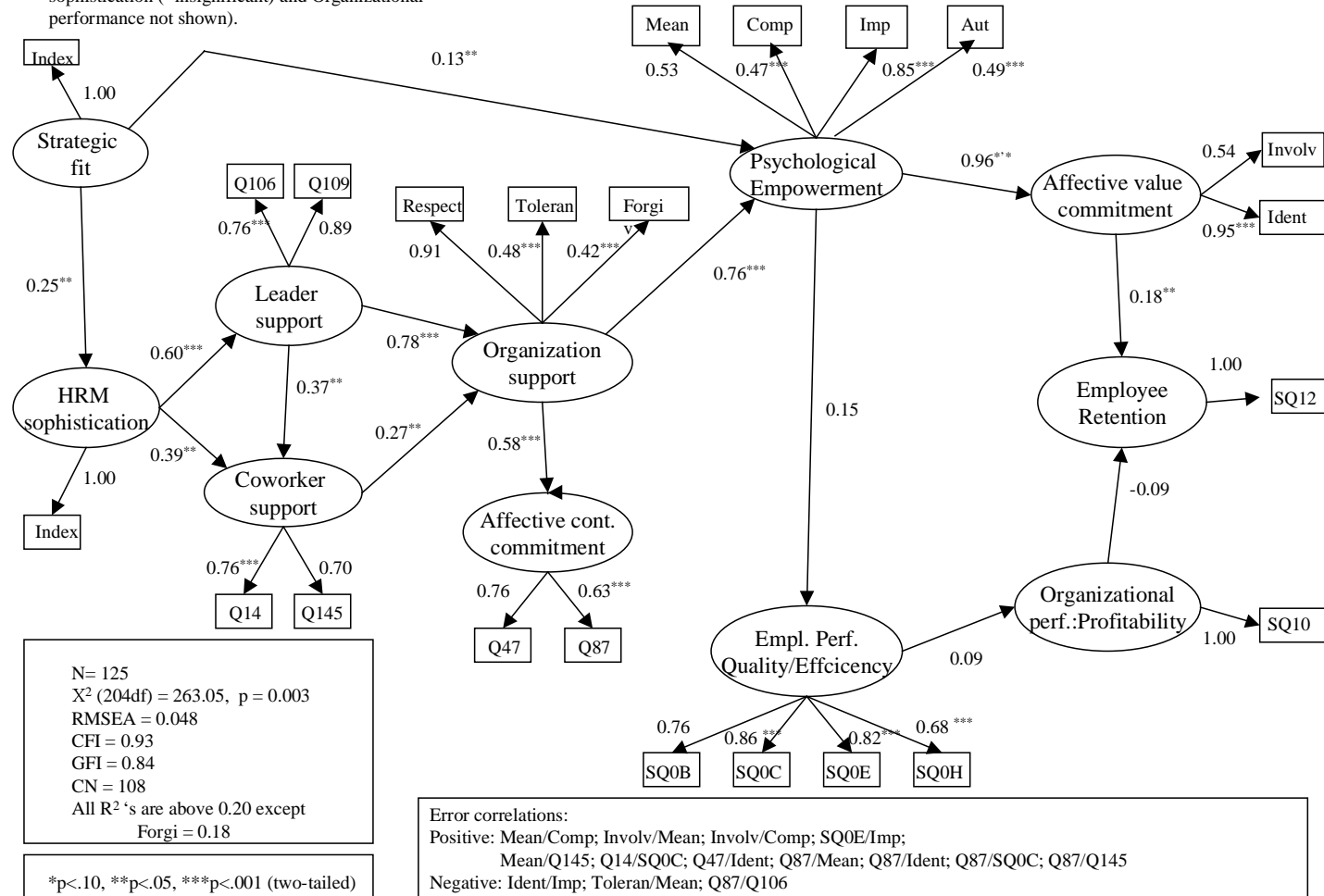


Appendix 5b: Model 31c

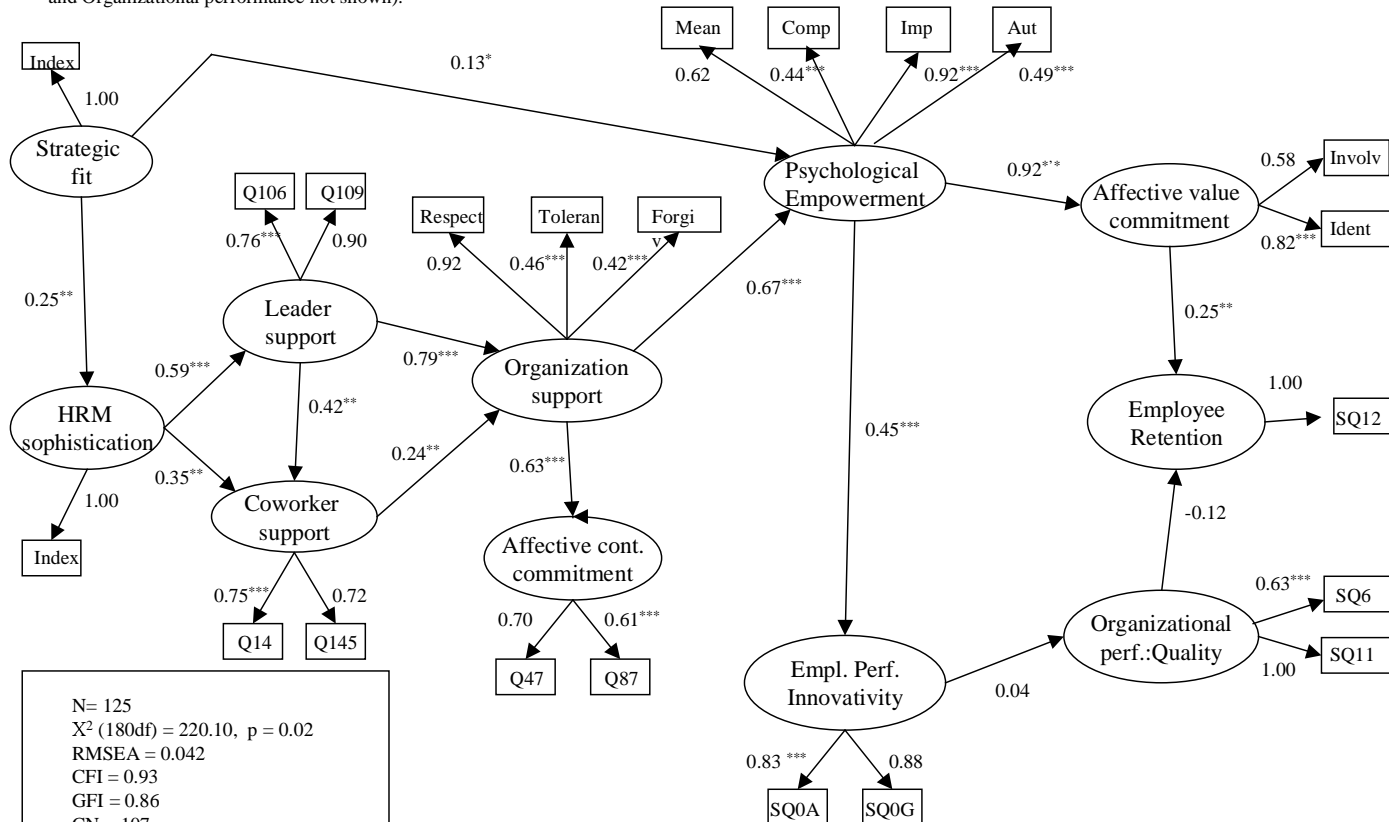




Appendix 6a: Model 39b ( direct relationships between Strategic fit (=significant) / HRM sophistication (=insignificant) and Organizational performance not shown).



Appendix 6b: Model 40a (direct significant relationships between Strategic fit / HRM sophistication and Organizational performance not shown).



N= 125  
 $\chi^2 (180df) = 220.10$ ,  $p = 0.02$   
 RMSEA = 0.042  
 CFI = 0.93  
 GFI = 0.86  
 CN = 107  
 All  $R^2$ 's are above 0.20 except  
 Forgi = 0.18

\* $p < .10$ , \*\* $p < .05$ , \*\*\* $p < .001$  (two-tailed)

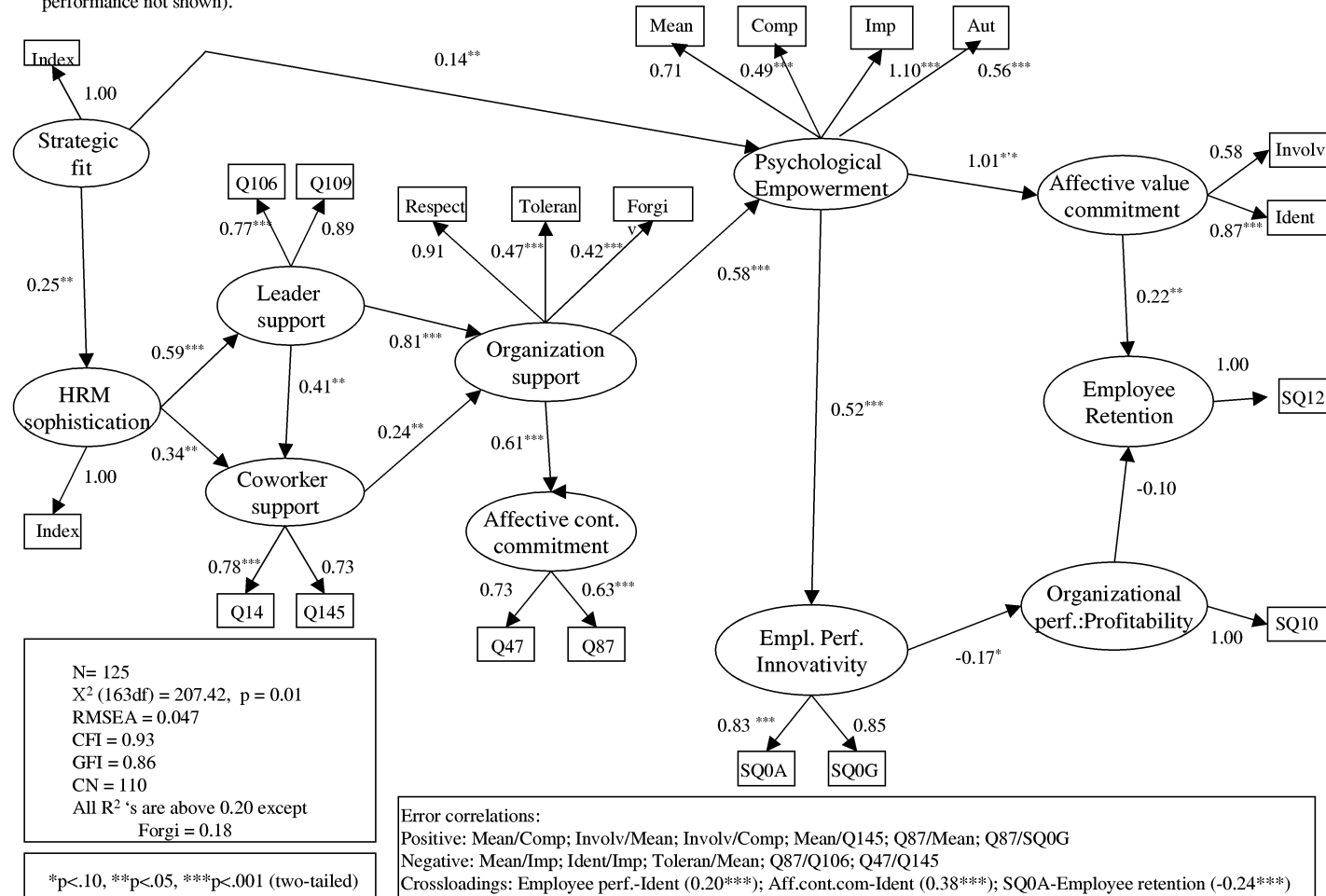
Error correlations:

Positive: Mean/Comp; Involv/Mean; Involv/Comp; SQ0E/Imp; SQ6/Ident; SQ11/Involv  
 Mean/Q145; Q87/Mean; Q87/SQ0G

Negative: Mean/Imp; Ident/Imp; Toleran/Mean; Q87/Q106; Q47/Q145

Crossloadings: Organizational perf.: Quality-Ident (0.19\*\*\*); Employee perf.-Ident (-0.26\*\*); Aff.cont.com-Ident (0.33\*\*\*); SQ0A-Employee retention (-0.23\*\*\*)

Appendix 6c: Model 40b ( direct relationships between Strategic fit (=significant) / HRM sophistication (=insignificant) and Organizational performance not shown).





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